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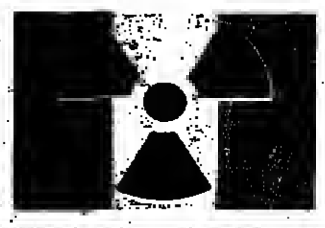

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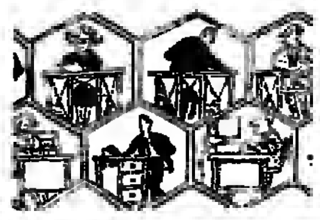

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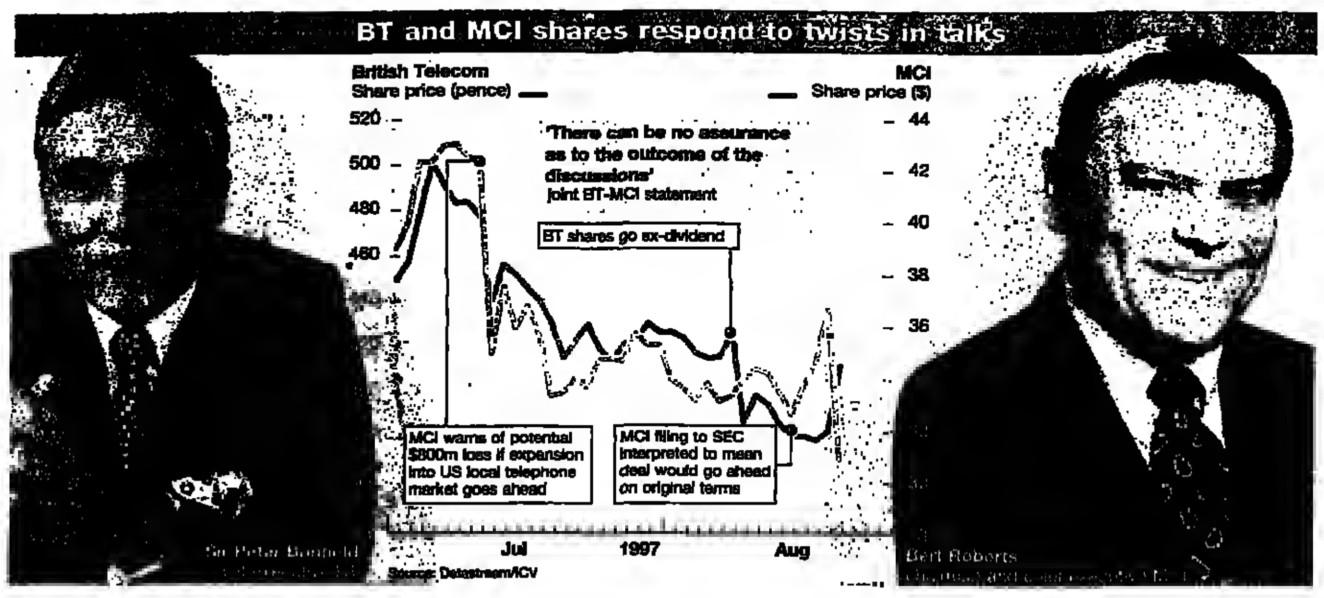
MCI may accept price cut

US group may agree new terms to rescue BT merger

By Clay Harris and Alan Cane in London and Tracy Corrigan in New York

BT and MCI shares respond to twists in talks



Source: Datastream/ICV

MCI Communications is believed to be ready to accept a price cut of 5 to 10 per cent to save its proposed merger with British Telecommunications, after the future of the deal was thrown into doubt by the companies.

Some US analysts said yesterday that MCI might have to swallow an even larger price reduction.

BT's board was meeting yesterday after the companies surprised stock markets by revealing that they were discussing the "economic terms" of the merger agreement in the wake of a joint management review of their prospects.

They added: "There can be no assurance as to the outcome of the discussions."

The news, released at 11.15pm New York time on Wednesday, sent the companies' shares in opposite directions yesterday. BT's price soared by 29p to 412¼p. The 7.6 per cent rise was its largest one-day jump since 1987.

By contrast, MCI had slid nearly 14 per cent, by 5\frac{1}{16}$ to 31\frac{5}{8}$, by early afternoon, reversing an upward trend this week as expectations had grown that the merger would proceed on unchanged terms which yesterday valued the shares at $41.36.

The statement was made after a lengthy meeting of MCI directors. The "economic terms" being studied are believed to extend beyond price to include big changes at MCI, especially its expansion into local telephone service.

But MCI said job cuts were not being discussed. It said: "Any reports of discussions with BT concerning MCI's staffing levels or headcounts are false. No such discussions are under way, nor are any reductions planned."

Some analysts thought MCI was minded to reject any proposed price cut exceeding 15 per cent, although its negotiating position had been seriously weakened because the review had undermined confidence and raised doubts about its core long-distance business.

A tale of doubt and fear.....Page 20
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A US-based BT shareholder said he believed the UK company now understood how much the value of MCI had been eroded. A 10 per cent change in the value of the deal would not be enough, he argued. "I would not settle for less than 25 per cent."

Dan Reingold, US telecoms analyst at Merrill Lynch, predicted a cut of 15 to 25 per cent. He said: "If BT walked away from it entirely, some people argue that they would look foolish. I think they'd look brilliant." But he thought the deal had a 90 per cent chance of surviving.

In London, an institutional investor in BT said: "We appear to be edging a bit closer to the resolution that shareholders in the UK wanted to see, but I'm not yet ready to put out the flags." He said a cut of 10 per cent was "a good number for both sides" to reach a swift conclusion although it should be larger.

Several analysts and investors suggested BT might aim to cut the offer without subjecting it to another vote of its restive shareholders. One means would be to pay another special dividend before proceeding.

The Federal Communications Commission yesterday approved the deal. The clearance had been expected.

Wednesday's statement took investors by surprise because MCI had failed to signal any doubts in a filing last week.

Yeltsin reasserts Kremlin control of arms sales

By Chrystia Freeland in Moscow

Boris Yeltsin, the Russian president, yesterday launched a surprise campaign to reassert Kremlin control over the multi-billion dollar arms trade, by sacking the country's chief weapons merchant.

Simultaneously, the president dissolved Rosvoruzheniye, Russia's arms trading monopolist, replacing it with a new organisation of the same name. In a further effort to weaken the company's grip on the arms market and to strengthen state control, a Kremlin decree granted the right to export weapons to two other state companies and to certain manufacturers.

Arms export is one of the only sectors of the Soviet economy to have flourished in the transition to capitalism, as cheap Russian weapons have conquered new markets in countries such as Colombia, Israel and Malaysia. Strong revenues have made the arms trade a coveted prize in the power struggles which dominate Kremlin politics.

The president's attack came just a day after Alexander Kotelkin, Rosvoruzheniye's ousted chief, had boasted at an annual air show of his company's success.

"By the end of the year I am sure our order book will exceed $10bn. That means that for the first time in the history of Russia we will outdo the United States in signed contracts," Mr Kotelkin said.

Speaking at the same air show, a presidential adviser on the arms trade said Mr Yeltsin had praised Mr Kotelkin's work at a Kremlin meeting earlier in the week.

Kremlin aides said yesterday's decrees were aimed at loosening Rosvoruzheniye's hold over the lucrative arms trade, and at allowing more of the revenues to go to the Ministry of Defence and directly to arms manufacturers.

"This is another important step in the perfection of Russia's arms trade with foreign

Continued on Page 16

Thailand admits debt of $23.4bn

By Ted Bardacke in Bangkok and Leslie Crawford in Washington

Thailand's central bank said yesterday it had obligations of $23.4bn, equal to about three-quarters of its foreign reserve holdings, due for payment over the next 12 months.

The bank's admission is the strongest indication yet of the severity of the country's currency crisis.

The bank said it had $14.8bn in offshore obligations, consisting of forward currency contracts used to defend the baht before it was floated on July 2, precipitating currency instability throughout the region. Some of these contracts could be rolled over but at a high price. The remaining $8.6bn were onshore obligations. The bank said these were normally rolled over and would not adversely affect the international reserve position.

The Thai central bank is trying to be more financially transparent after a $16.7bn International Monetary Fund rescue plan was formally announced this week.

The $3.3bn standby bridging loan facility for Thailand put together by the Bank for International Settlements was assembled at the request of Japan with strong backing from the US, European central bankers said. The aim was to demonstrate strong international consensus behind the rescue effort for the Thai economy and that country's adjustment programme agreed with the International Monetary Fund. Page 5

In Washington, Michel Camdessus, director-general of the IMF, said he was encouraged by the bank's decision to be more open. He said it would strengthen the bank's credibility internally and externally.

Mr Camdessus praised the speed with which Asian countries, led by Japan and multilateral institutions, had clubbed together to provide the $16.7bn emergency aid package. But he berated Thailand for failing to address its economic problems sooner.

"The Thai authorities did not have their priorities in order. They were more concerned with the country's economic slowdown than with the risk embedded in running high current account deficits," he said.

Chaiyawat Wibulswasdi, central bank governor, said a bridging loan, announced earlier this week, of $3.3bn from the Bank of International Settlements would help immediate funding needs.

But European central bankers said the BIS money was subject to certain conditions and was not ready to be disbursed. Mr Chaiyawat repeated that the IMF package would not be enough if foreign banks failed to roll over their short-term loans to the Thai private sector.

Many foreign bankers say that before they commit to roll-overs or extend new funds they want to resolve the problem of approximately $2bn already on loan to 58 finance companies suspended by the Thai authorities in the past month. Creditors of 42 finance companies have been assured their loans will be guaranteed by the government. Commitments on the other 16, where the bulk of the foreign lending is concentrated, have been vague.

Siri Ganjarerndee, assistant central bank governor, said the government was required by the IMF to run a Bt50bn ($1.53bn) budget surplus next year to begin to pay for financial restructuring.

Japan's stormy weather and Observer, Page 15


Chaiyawat Wibulswasdi, Thai central bank governor

Israel plans to sweep aside curbs on foreign currencies

By Judy Dempsey in Jerusalem

Israel has moved towards making the shekel fully convertible with the announcement yesterday of plans to scrap many foreign currency restrictions.

The measures, welcomed by the business community, will be phased in over the coming months and appear to signal greater co-operation between the Bank of Israel and the finance ministry. Until recently, the two had been at loggerheads, with the bank calling for fiscal restraint and the ministry advocating a less restrictive monetary policy.

The measures are aimed at integrating Israel more fully into world capital markets.

Limits on the amount companies can invest in international securities, hitherto set at 15 per cent of sales or 25 per cent of assets, are to end, and the ceiling of 50 per cent of assets on overseas investments by provident fund managers is to be scrapped.

Israeli companies traded on international exchanges will no longer need special permits to invest outside Israel.

Also going are the maze of bureaucratic obstacles preventing Israelis from buying dollars except for foreign travel and from depositing foreign exchange in domestic banks. Foreign residents will be able to buy dollars with shekels without limits. They had been limited to the same amount of dollars which had been sold for shekels in the first place.

Israelis will still face restrictions on buying property abroad and depositing foreign exchange in foreign banks.

Jacob Frenkel, BOI governor, said the measures posed as many challenges as opportunities for policy makers. He said: "They will now need to show their adherence to fiscal responsibility and monetary discipline that will maintain price stability, while the government must implement structural measures to enhance competitiveness and increase flexibility of the economic system."

Yaacov Neeman, finance minister, managed this month to have next year's budget cut by Shk2.3bn ($657m) in order to bring the budget deficit down to 2.4 per cent of gross domestic product.

Mr Frankel, determined to contain inflation, currently running at 10 per cent a year, is keen to maintain high interest rates, although he is under pressure to reduce them as economic growth slows. During the first half of this year the growth rate was 1.8 per cent annualised a year compared with treasury forecasts of 2.5 per cent for the year.

BICC cuts output in Europe to counter losses

UK cable and construction company BICC is merging most of its German cable operations with those of Dutch group NKF to counter industry overcapacity and falling prices which have driven both businesses into losses. The new company, Kaiser Kwo Kabel, will employ half the current workforce of 1,200 and will close production facilities in Nüremberg and Oberspree. BICC last week reported a 13 per cent drop in profits due to difficulties with its European cable businesses. Page 17; Lex, Page 16

US acts against NEC and Fujitsu: The US announced crippling anti-dumping duties on supercomputers made by Japanese companies NEC and Fujitsu. Page 6; Fujitsu lawsuit dropped, Page 17

Paris to ban 'dirty' cars: Only "clean" cars will be allowed in French city centres during pollution alerts from next year, the government said. Smog reached new peaks in Paris and other French cities. Page 2

ABN Amro looks again at CIC: The Netherlands' largest banking group, ABN Amro, ruled out rumoured takeover candidates but said it was willing to look afresh at CIC, the French regional bank. Page 17; Lex, Page 16

Reformist minister sacked in Ukraine: Ukraine's progressive justice minister was sacked in a sign of flagging government support for democratic and market reforms. Page 2

Israel accuses Arafat: The Israeli government accused Palestinian leader Yassir Arafat of being "two-faced" in his attitude towards combating terrorism. Page 3

Seoul acts to stop won's slide: South Korea's currency stabilised after the central bank said it would intervene to stop a recent fall caused by worries over a liquidity shortage and a threatened foreign credit downgrade for main banks. Page 5

Lawyer attacks Singapore PM: British lawyer George Carman accused Singapore prime minister Goh Chok Tong of being "economical with the truth" while testifying in a defamation suit against the city-state's leading opposition politician. Page 5

Japanese bank plans euroyen issue: Japanese bank Hokkaido Takushoku plans to turn Y150bn ($1.3bn) worth of property-related loans into euroyen bonds to be sold to international investors in London. Page 17

Taiwan seeks better China relations: Taiwan's premier-designate, Vincent Siew, of the ruling Nationalist party, pledged to improve the island's relations with China. Page 5

Old Mutual plans conversion: Old Mutual, South Africa's biggest life assurer and financial services group, said it would convert from a mutual society to a stock market-listed company. Page 17

Crédit Lyonnais films on sale: Hundreds of films once owned by troubled French banking group Crédit Lyonnais, including *The Graduate*, *Platoon* and *When Harry Met Sally*, have been put up for sale. Page 16

England collapse: Australia were 77 for 2 at the end of the first day in the sixth and final cricket test at the Foster's Oval, London, after bowling England out for 180. Australia are 3-1 up in the series.

Pope stirs controversy on French visit

The Pope, in France for four days on a "grand journey" to revive religion among young people, pictured during a visit to Human Rights Square, by the Eiffel Tower in Paris. The Pope has stirred criticism for a plan to pray today at the grave of his friend Jerome Lejeune, a genetics professor and hero to anti-abortion groups.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av.	7,945.28	(-75.95)
NASDAQ Composite	1,619.08	(-9.62)
Europe and Far East		
CAC40	2,957.23	(-22.04)
DAX	4,253.67	(+30.24)
FTSE 100	4,978.0	(+19.6)
Nikkei	19,157.12	(-95.11)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.249%
Long Bond	97¾
Yield	6.557%

OTHER RATES

UK: 3-mo Interbank	7⅞%	(same)
UK: 10 yr Gilt	101$\frac{21}{32}$	(101$\frac{17}{32}$)
France: 10 yr OAT	100.04	(99.79)
Germany: 10 yr Bund	102.66	(102.82)
Japan: 10 yr JGB	106.9183	(106.9974)

NORTH SEA OIL (Argus)

Brent Dated	$18.205	(18.775)

GOLD

New York: Comex		
(Aug)	$323.2	(321.3)
London:		
close	$323.25	(322.25)

DOLLAR

New York: lunchtime		
£	1.5886	
DM	1.841	
FFr	6.19725	
SFr	1.5153	
Y	117.405	
London:		
£	1.5872	(1.5925)
DM	1.842	(1.8568)
FFr	6.2098	(6.2545)
SFr	1.516	(1.5266)
Y	117.595	(118.1)
Tokyo close:	Y 117.9	

STERLING

DM	2.9237	(2.9568)

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Russians accused of obstruction in Bosnia

By Guy Dinmore in Banja Luka

Russia was accused yesterday of blocking plans by the Organisation for Security and Co-operation in Europe (OSCE) to supervise parliamentary elections in Serb-controlled territory in Bosnia and undermining efforts to shore up the Dayton peace accord that ended the civil war in 1995.

Without proper supervision, western officials fear that hardline Serb nationalists loyal to Radovan Karadzic, the ex-president and an indicted war crimes suspect, will be able to manipulate the elections as they did last year.

Diplomats believe Russia is taking the side of Slobodan Milosevic, the Yugoslav president in Belgrade who opposes the western-backed Bosnian Serb president, Biljana Plavsic, in her power struggle against the nationalists.

"The Russians are not going along at the moment. Their position is vague," an OSCE source said in Vienna.

Carlos Westendorp, the international community's High Representative in Bosnia, held more talks about the election plans in Vienna yesterday.

Mrs Plavsic, who replaced Mr Karadzic a year ago, dissolved parliament last month and called for early elections on October 12.

The Bosnian Serb Constitutional Court, under the influence of Mr Karadzic, overruled her decision last week.

One of the court's seven judges, Jovo Rosic, appeared in public yesterday for the first time to confirm reports he had been beaten and intimidated into not supporting Mrs Plavsic in the crucial vote.

Mr Rosic said he was beaten on the legs and stomach in his hotel in Jahorina near the court's seat in Pale in eastern Bosnia.

He then fled to Banja Luka where Mrs Plavsic is based.

"Two men put their guns to my temples, one on each side. 'You are not going to vote for that Plavsic'," he quoted one of the men as saying.

Mr Rosic said he was told he would be in danger of being "eliminated".

British troops of the Nato-led Stabilisation Force (SFOR) yesterday maintained their grip on five police stations they took over in Banja Luka on Wednesday.

Nato forces evicted police officers loyal to the ousted interior minister, Dragan Kijac, and were guarding UN police while they investigated discoveries of illegal arsenals and an extensive bugging network found inside the buildings. The UN task force is registering all police personnel in Banja Luka, and allowing pro-Plavsic commanders to take control.

The ruling Serb Democratic party (SDS), which has expelled Mrs Plavsic, has threatened to boycott the elections. Using its control of Bosnian Serb radio and television it has accused Mrs Plavsic of being a "renegade and quisling" of foreign powers.

Allegations of corruption levelled by Mrs Plavsic against nationalist hardliners has weakened the ruling faction, and western analysts believe the SDS would lose its parliamentary majority if suspended elections went ahead.

Mrs Plavsic has formed her own party and hopes to lure disaffected politicians who have already resigned from the SDS in sympathy with her position.

Jovo Rosic recounts how two men put guns to his head and told him: "You are not going to vote for that Plavsic" Reuters

Ukraine justice minister sacked

By Chrystia Freeland in Moscow

Serhii Holovatyi, Ukraine's progressive justice minister, was sacked yesterday, in a further sign of flagging government support for democratic and market reforms.

Mr Holovatyi, a young lawyer, had spearheaded a controversial anti-corruption campaign and was one of the strongest advocates in the Ukrainian cabinet of a western-oriented foreign policy and greater integration into European institutions.

The justice minister's dismissal is likely to deflate tentative hopes that the economy's downward spiral might spark the government into swifter change. Expectations were raised last month by the sacking of Pavlo Lazarenko, a former prime minister blamed by many for fostering a graft-ridden business environment.

The west, particularly the US, has generously backed Ukraine's efforts to create a new, independent state, as an important counterbalance to Russia. However, western governments and financial institutions have begun to lose patience with Kiev, as successive promises to embark on radical reforms have been broken.

A pro-democracy activist since the beginning of the perestroika reforms which began to open up the Soviet Union, Mr Holovatyi was part of a small group of liberal ministers which many observers saw as representing Ukraine's last hope for re-starting reforms.

Mr Holovatyi's anti-corruption campaign, begun on orders from the president, brought him into conflict with powerful, Soviet era figures in the cabinet. After his dismissal Mr Holovatyi said: "I am concerned that the government today is not now serious about real reform. What this means for me is that my efforts to reform the legal system and create a legal infrastructure for a market economy appear to be unwanted by the country's leadership."

"The president wants to win the elections, without Mr Holovatyi things will be calmer," said Oleksandr Tkachenko, a leading Ukrainian journalist.

Mr Holovatyi was replaced by Suzannah Stanyk, the only woman in the Ukrainian cabinet.

French green light for 'clean' cars

Repeated pollution alerts bring calls for tougher restrictions on road traffic

By Samer Iskandar in Paris

Only "clean" cars will be allowed in French city centres during pollution alerts from next year, the government announced yesterday as smog reached new peaks in Paris and other large cities.

The announcement follows accusations by opposition politicians and environmentalists that Dominique Voynet, the environment minister, had not done enough in recent weeks to fight record pollution levels.

Pollution in Paris reached alert level two – on a scale of three – for the second consecutive day yesterday, with the concentration of ozone rising by 10 per cent from Wednesday to its highest level this summer. Alert level two was reached on seven occasions in the past nine days in Strasbourg. Several cities, including Paris, have been on alert without interruption for almost two weeks.

Local authorities in several large cities have warned people suffering from asthma and other breathing problems to avoid undue effort.

In Paris and its suburbs, the SNCF and RATP rail operators yesterday started selling tickets at half price. But this measure, described by the transport minister Jean-Claude Gayssot as "experimental and going beyond what is required by law", is proving controversial as commuters and rail workers complain of overcrowding. Two unions have attacked the plan.

The Syndicat Autonome des Machinistes, the train drivers' union, said it doubted "the real effectiveness" of the measure and complained that the rail infrastructure could not "absorb a large number of additional users [during] a chronic staff shortage".

Force Ouvrière, the leftwing union, said that if RATP, operator of the Paris Metro underground network, had to bear the financial costs, "this would be done to the detriment of employees [and] holders of monthly travel passes who are excluded from the measure".

However, tougher restrictions, such as a total ban on cars in city centres and free public transport for all, can only be implemented if pollution reaches alert level three.

Ms Voynet yesterday said existing measures were "unsatisfactory", adding that future restrictions would be enforced at lower levels of pollution. "Gradual and flexible measures to limit traffic as soon as level two is reached are being studied," she said, adding that existing and future restrictions could be toughened if necessary.

The most radical new measure is the planned introduction of a "green label" for "clean vehicles", such as cars running on electricity and liquid gas, or ordinary cars equipped with catalytic converters.

Ms Voynet said long-term measures were necessary, starting with a review of fuel taxation. "The most polluting fuel – diesel – is the least taxed," she said. Last week, Ms Voynet said she favoured the introduction of an "eco-tax" on diesel fuel.

The pollution alert coincides with a Catholic World Youth festival which has drawn some 300,000 pilgrims to Paris. The Pope arrived yesterday for a four-day visit.

UK road policy, Page 9

East German town invested with new-found confidence

Ralf Korpjuhn has no time for nostalgia: "We were comfortable then, we had a job from birth to death. Now we are out in the wild, but I don't want those old times any more."

Mr Korpjuhn, works council chief at BASF's chemicals plant in Schwarzheide in eastern Germany, echoes the views of many people who live in the small town 100km from the Polish border.

BASF, one of western Germany's biggest chemicals groups, expanded into the east when it bought the Schwarzheide plant in October 1990 from the Treuhand, the agency which privatised east German industry.

Almost seven years later, the once dilapidated factory which dominates the town of 6,000 people has been transformed. Despite the difficulties west Germany has had in absorbing its eastern neighbour, Schwarzheide offers grounds for optimism.

"Some east Germans complain about conditions now, but they forget. A few kilometres to the east in Poland and we would not have had all this help [from western Germany]," says Paul-Gerhard Thiele, a plant spokesman, who has known the factory under both socialist and capitalist masters.

It was built by the Nazis in 1936 to produce armaments and petrol, run with forced labour from Auschwitz and rebuilt after the second world war. But it fell into terrible disrepair under the East German regime.

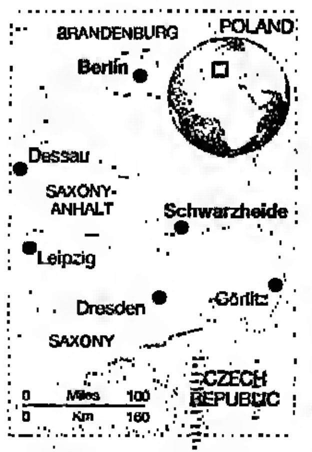
BASF invested about DM1.5bn ($810m) in rebuilding the plant. Tall chimneys, which pumped out pollution, and the old creaking buildings are gone. In their place stands a gleaming plant, including one of the most modern polyurethane production sites in Europe, which last year generated a profit for BASF for the first time.

In the process of rebuilding, BASF slashed the workforce from 5,000 to around 2,000, exacerbating unemployment which runs at more than 20 per cent in the region. However, a drive through Schwarzheide reveals a prospering town, a reflection of the subsidies which still flow from western Germany as well as the impetus provided by BASF.

New cars – Volkswagens, Opels, Audis and Fords – jostle for space on the town's busy roads. The Trabant, the famously unreliable East German car, is a rare sight.

Schwarzheide is a town in transition. Roads, smooth after recent resurfacing, run into streets still rutted and uneven. Rows of modernised houses stand next to others which still reveal the grubby facades of former times.

One sign of economic vibrancy is a flourishing business park of small companies in the heart of Schwarzheide, something unheard of in communist times and still a rare sight in eastern Germany today.



One pressing problem faced by the five eastern Länder, or states, is a lack of small- and medium-sized privately owned businesses, or *Mittelstand*, which have been the backbone of western Germany's economy. Across the east, economic growth and new employment remain isolated to the few outposts set up by western multinationals.

The business park is populated by companies spun off by BASF from the bloated chemicals plant it inherited, in order to soften the blow of mass lay-offs and gain efficient suppliers. BASF encouraged workers such as electricians and carpenters to set up independent businesses.

"The plant had about three times too many staff, it was very bureaucratic, and there was no consideration of costs," said Mr Thiele.

"It still needed these services, and BASF wanted to help create a viable Mittelstand."

But it has not been easy for the workers who remained. BASF, which bought the site primarily as a way of accessing the markets of eastern Europe, immediately faced the collapse of the east German car industry, a big customer, should not ask for too much of the Soviet market.

With the recovery of countries such as Poland, eastern markets are once again important. In the meantime, BASF has given the factory priority for new investment to ensure it produces goods it can sell to the west.

Mr Korpjuhn bemoans the fact that workers in Schwarzheide still earn only four-fifths of the basic salary paid to their colleagues at west German plants. Including bonus payments, the total wage can be as little as 55 per cent of that in the west.

However, Mr Thiele insists that Germans in the east should not ask for too much too soon. "We know, of course, quite clearly that this wage difference is the advantage we have," says Mr Thiele. "If Schwarzheide wishes to go on attracting investment this gap has to stay."

Graham Bowley

Turkish police ordered to court

By John Barham in Ankara

Prosecutors in Turkey's most celebrated human rights trial won their first courtroom victory yesterday by forcing the appearance in the dock of police officers accused of beating a young journalist to death last year.

The 11 officers on trial for manslaughter went into hiding when their trial began in November late last year, with the apparent support of their superiors.

However, last month Mesut Yilmaz, prime minister, publicly ordered the men to surrender and appear in court.

Human rights campaigners often accuse the Turkish police of committing violations ranging from torture to extrajudicial killings with impunity.

The trial of the 11 officers and 37 other colleagues charged with dereliction of duty has taken on national prominence as a direct challenge to the powerful security establishment's unwritten immunity from prosecution.

Police arrested Metin Göktepe, a 27-year-old reporter on the leftwing newspaper Evrensel, in January 1996 while he was reporting the burial of two leftwing prisoners who died during a prison hunger strike.

They detained him in an Istanbul sports stadium with thousands of mourners, where he suffered fatal head injuries which police claim he suffered while escaping over a wall.

Mr Yilmaz is attempting to clean up Turkey's human rights record. Last week parliament passed a partial amnesty freeing six jailed newspaper editors.

However, his critics point out that more than 150 writers, publishers, journalists and political prisoners remain in prison.

Evrensel folded last year and its editor fled to Britain after a series of prosecutions under restrictive press laws that remain in force.

Yesterday's prosecution victory was shortlived. Only seven defendants were present, after four claimed they were medically unfit to face trial.

The remainder made no statements during the brief hearing. The defence demanded a change in the panel of judges, who rejected the appeal and adjourned the hearing until mid-September.

Coalition feels strain as Waigel says he wants respite from finance beat

Kohl tries to reassert control

Helmut Kohl, German chancellor, was yesterday seeking to reassert his authority over his centre-right coalition after Theo Waigel, finance minister, indicated he wanted a new job by the end of next year's federal elections – or he might leave the government.

Mr Waigel's surprise statement this week that he would have served as finance minister by next September was "more than anyone could have expected from me" has added in the centrifugal forces building within the Bonn government.

Mr Waigel recanted a little yesterday, saying it was yet possible he might remain finance minister after the election. But his publicly voiced frustrations with the difficult finance beat represented a further challenge to the authority of Mr Kohl already weakened by the virtual collapse of government plans for tax reforms.

In a statement yesterday, Mr Kohl insisted he respected Mr Waigel's position. The chancellor said the comments referred to the period after next year's elections, and they therefore had "no connection" with the debate – fuelled by Mr Waigel's Christian Social Union – about a possible pre-election cabinet reshuffle.

Mr Kohl's comments, however, failed to stop jostling among his coalition partners over a possible shake-up of cabinet responsibilities. A limited reshuffle is needed anyway at the end of the year because the CSU will lose one cabinet position with the abolition of the post and telecommunications ministry. The subtext of Mr Waigel's comments was that he wanted a wider pre-election reshuffle which would see him moved to another important cabinet post.

Moving Mr Waigel would not be easy. The Free Democratic party – junior member in Mr Kohl's coalition – would fight to prevent his move to the foreign ministry, currently headed by its former leader, Mr Klaus Kinkel. And the FDP might be reluctant to take over the finance ministry, which has undoubtedly lost the CSU support because of the blame it attracts for Germany's economic difficulties.

The posturing not only threatens to set Mr Waigel's Bavaria-based CSU (sister party of Mr Kohl's Christian Democratic Union) increasing against the liberal minded FDP. It also threatens to undermine Mr Kohl's ability to exert discipline over the coalition. Negotiations over a new cabinet team would provide a damaging distraction as campaigning builds in the 13 months up to the election. One possibility floated in Bonn yesterday was that Wolfgang Schäuble, CDU/CSU parliamentary leader, might head a "super" economics and finance ministry.

Guido Westerwelle, FDP general secretary, said he hoped Mr Waigel's comments would be the "last act in the summer theatre". High summer might be fading, but the theatre will continue.

Observer, Page 15

Ralph Atkins

FINANCIAL TIMES
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EUROPEAN NEWS DIGEST

Bundesbank in repo move

The Bundesbank kept its powder dry yesterday with a decision to leave German interest rates unchanged for the moment but reintroduce flexibility into the way the regular securities repurchase (repo) tender is arranged.

This leaves the way open for the repo rate, unchanged at 3 per cent for the past year, to be raised if the central bank opts to switch from the current fixed rate tender to a variable one. It could also announce a combined fixed and variable rate tender in forthcoming repo auctions.

While economists do not expect an early rise in the discount and lombard rates, currently at 2.5 per cent and 4.5 per cent respectively, the possibility of a move in the repo is seen as more likely in coming weeks or months.

Inflation is still low, at an annual rate of just under 2 per cent, but the Bundesbank – which yesterday held its first council meeting after the summer break – has expressed concern at the impact of the strong dollar on price trends. However, some bank directors have said a rise in rates would not be appropriate while the economic recovery remains shaky. *Andrew Fisher, Frankfurt*

■ RUSSIAN BUDGET

Hopes pinned on exports

Russia's cabinet yesterday approved a draft budget designed to make 1998 a year of stability and growth, mainly based on strong raw-material exports, senior government officials said.

The first deputy economy minister, Ivan Materov, said the government was aiming for 2 per cent growth in gross domestic product. But if the worst came to the worst GDP would only be unchanged from 1997 levels, he said.

The government has been predicting economic recovery for the last three years. It now expects 1997 GDP to be either flat on 1996 levels or fall by two per cent.

Mr Materov said growth would be primarily due to exporting industries, especially raw materials. Raw materials exports are the main source of Russia's growing foreign trade surplus, although Russia could clearly earn more if it was able to produce refined or finished products to Western standards. But Mr Materov said the government expected refining industries to start developing only in 1999 or 2000.

The first deputy finance minister, Vladimir Petrov, said the main idea of next year's draft budget was full tax collection and realistic revenues.

The budget is expressed in the new roubles to be introduced at the start of 1998 with a one-for-1,000 redenomination next year which will lop three zeroes off the present rouble values. *Reuters, Moscow*

■ BANKING LAW

Slovakia lifts investor curb

Slovakia this week approved a new banking law which lifts restrictions on foreign ownership in the sector, signalling that the government is stepping up efforts to attract more foreign investment.

The country's image of political instability has meant foreign investors have shunned it in recent years, while money has flowed into Poland, Hungary and the Czech Republic.

Slovakia has enjoyed one of the highest economic growth rates in the region in the past three years, but there are signs that it is slowing down; since 1990, the country has attracted only about $1bn in foreign direct investment.

The new banking law scraps a provision which prevented foreign investors from buying more than 3 per cent of a Slovak bank. It also simplifies procedures for obtaining a banking licence. However, central bank permission must still be sought for purchases representing 10 per cent or more of a bank's share capital.

The law is a crucial move in Slovakia's efforts to join the Organisation for Economic Co-operation and Development. Membership is tentatively scheduled for early next year. *Vincent Boland, London*

■ BELARUS DEAL

Russians may be freed

After a sharp rebuke from Moscow, Belarus promised yesterday to release some of the Russian journalists jailed for allegedly trying to violate the border of the former Soviet republic.

The four employees of Russian ORT television - the second Russian TV crew jailed in Belarus in recent weeks - were detained last Friday near the border. International human rights group have condemned the case as part of a crackdown on media by Belarus' authoritarian President Alexander Lukashenko.

The two groups have been charged with attempting to illegally cross the Belarus-Lithuania border while doing reports on Belarus' porous frontiers and contraband goods crossing them.

In Moscow, liberals have criticised the Kremlin for failing to act to protect the journalists. Moscow has signed a union treaty with Belarus, and Russian leaders appear reluctant to enter into an open confrontation with Lukashenko.

But on yesterday a spokesman for Russian president Boris Yeltsin demanded that the journalists be freed immediately. *AP, Minsk*

■ POLISH MEDIA

Broadcast boards 'packed'

The governing boards of Poland's state radio and television have been packed with government supporters, jeopardising hopes of politically impartial media, Boleslaw Sulik, head of the KRRiT, the broadcast media licensing council, warned yesterday.

His warning came four weeks before parliamentary elections as politicians are becoming increasingly nervous about getting access to the media. But the row is also taking place against the background of a struggle to get onto the air by commercial broadcast companies who are looking to politicians to further their claims. The growing TV advertising market was worth $300m (£184m) in the first half of this year.

The nine member KRRiT is appointed by parliament and is charged with granting licences to commercial broadcasting companies, appointing the governing board of public radio and TV and monitoring broadcast output.

During the last parliamentary term, the dominance of governing coalition parties, the reformed communist Left Democratic Alliance (SLD) and the Polish Peasant Party (PSL), gave them a majority in the KRRiT, allowing them to appoint government supporters to positions of control on the boards of the publicly owned radio and tv channels. *Christopher Bobinski, Warsaw*

■ DRIVING AMBITIONS

Bosses go for German cars

Germany's senior managers would rather be seen driving a Mercedes while lower ranking company officials prefer BMWs, Manager magazine reported in its latest issue, to be published today.

Favourite among top managers is the Mercedes E280, followed by the BMW 524 TD/535i. Section managers, administrative officials and marketing directors prefer the BMW 520i and 316i, according to a Watson Wyatt survey.

Technical directors and heads of legal departments prefer Mercedes. Audi's A6 model is the runner-up, followed by Opel's Omega 2.0 and the Volkswagen Passat 1.8/1.9TD. *AFP, Frankfurt*

[redacted]

Algeria to spend oil cash on jobs and houses

By Roula Khalaf in London

The Algerian government, under fire at home for failing *to end more than five years* of violence, is aeeking to shore up popular snpport with a three-year economic programme whose targets may be difficult to achieve.

Algerla's lower house, dominated by pro-government parties after tha June elections, has backed the programme, whicb aims to achieve 7 per cent growth by the end of 2000, against 4 per cent last year; build 800,000 homes and create 1.2m jobs. With oil and gas exports accounting for more than 95 per cent of foreign exchange earnings, tha government is also aiming to increase non-oil exports to $2bn by 2000, from $800m now.

Analyats say the targets are over-ambltious, and members of the opposition in the general assembly bave criticised them as unrealistic. Today, Algeria's unemployment rate is 28 per cent and tbere are on average ouly 100,000 jobs a year availabla for more than 200,000 young people entering the workforce. The country has s severe shortage of honsing: 1.8m new bomes are needed to relleve overcrowding and fewer than 150,000 homes have been built each year in recent years.

Ahmed Ouyabia, tbe prime minister, told parliament earlier this month that the government would set up special programmes for building houses and major worka to increase jobs, financed hy the state budget.

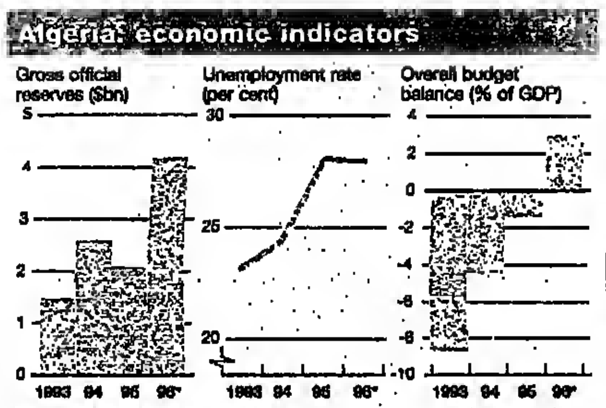
With high oil prices lead*ing to a surplus in last year's* budget, the government has money to spend. Moreover, lt has ruled out another agreement with the international Monetary Fund once the current three-year extended fund facility expires in 1998. This will release lt from the tight financial discipline imposed by the fund.

However, high public outlays are only sustainable in a climate of high oil prices and tbe Algerian economy remains highly dependent on oil and gaa revenues. The IMF has urged the government to diversify the economy to reduce its vulnerability to external shocks and speed up structural reforms to spur growth and create employmeot.

Economists say that the government could officially schieve its targets by fudging the numbers. lt could,for example, inclnde temporary employment of youth in government programmes to boost the employment figure and count grants to farmers for housing that may or may not be spent on housing units in the bousing figures.

The $2hn non-hydrocarbon exports target may appear realistic wben considering tbst Algerla now exports $800m of non-oll products. However, about half that amount is to repay Russian debt and the exports may not otherwise be competitive.

Algeria: economic indicators



Source: Algerian authorities; IMF estimates * Preliminary figures

New image high on drug-producer's agenda

The Moroccan government has stepped up efforts to improve the country's tainted reputation

Driss Basrt, Morocco's interior minister, believes in being compensated for his efforts to combat drugs. He has just asked a team of lawyers to find ways to extract "reparations" from Europe for Rabat's discovery in June of nearly six tonnes of cocaine, which washed up on the Casablanca shore.

Although drugs are usually a sensitive topic in Morocco, the Moroccan government has heen keen to publicise the cocaine case and has gone out of its way to co-operate with western drug experts. Next on Mr Basri's agenda is an international conference on drugs in Morocco, which, he says, is to be partly financed by the compensation he expects to receive.

Mr Basri makes no aecret of what is behind Rahat's enthusiasm. "The cocaine seized belpa improve the [outside world's] appreciation of Morocco," he says. "We are exploiting this fortuitous act positively by associating everyone in our discovery."

Fortuitous because tbe drugs were cocaine, not hashish, which has been a tborn in the side of the Moroccan government. Also fortuitous because the cocaine does oot appear to have heen destined for Morocco. Local officials and western drug enforcement officials helieve the cocaine was thrown from a ship which broke down en route to southern Europe.

But Mr Basri is not likely to find many receptive ears in Europe, and European Union officials have not exactly rushed to congratulate Rabat. "lt is not like the Moroccans intercepted the ship," notes one western diplomat. "The only reason they became aware of it ls hecause tbe cocaine began washing up on the shore."

Cocaine wasbed np on a Casablanca beach: Morocco bopes it will help sbore up its image

In fact, the case has raised some concerns that Morocco may he used by Latin American drug cartels as a transit centre for cocaine smuggling. Mr Basri dismisses such claims, pointiog out that if the traffickers had partners in Morocco, they would not have decided to get rid of the cocaine.

Since a 1994 report by the Paris-hased Ohservatoire Géopolitique des Drogues described Morocco as the world's first hashish producer and prime supplier to Europe and saiò corruption helped the business to thrive – charges fiercely denied by Rabat – Morocco has been hattling to chaoge this image. Hashish production has also become a sticking point in Morocco's relations with the EU, with which it has an association agreement.

Kif – as the cannahis plant is known in Morocco – provides the economic hase for much of northern Morocco, and is estimated to add $2hn a year to the economy.

The north, historically a rebellious region of 6m people, remains poor and underdeveloped, in spite of the cannahis cultivatioo. Rabat's concern has been to develop a region it considers a potential source of instability. Thus, the governmeot has halked at EU requests to eradicate production, asking that the EU pay for the effort. "Hashish is a soft drug, it is consumed openly in Europe," says Mr Basri. "Eradicating it needs financing. We cannot let all other Moroccans die and spend our resources on eradication."

Last year, in an effort to prove Morocco's goodwill, Mr Basri launched a controversial anti-drug campaign amid much fanfare, and his aides claim to have dismantled all the Moroccao networks. Diplomats in Rahat, bowever, remain skeptical. A US State Department report notes that producers and large-scale traffickers still operate due to "budgetary constraints on enforcement and widespread corruption."

What is seen as a more serious effort is the recent establishment of an agency to develop the north. The agency has a comfortable set-up in Rabat, a staff of 36, and a long list of ambitious projects.

But it will he difficult to show commitment to eradication *before maoy of the* projects are well under way. The top priority projects will cost Dh5.8bn ($580m). The governmeot has pledged to contribute Dh2.4bn and expects western countries to put up the rest.

Mr Basri is realistic, and he does oot seem to be holding out much hope. He is willing to admit that fighting trafficking but oot production is futile. "Of course the drug fight doesn't lead to anything," he says. In the final analysis, he suggests, the whole issue is overblown. "Europe does not really care about kif, only about hard drugs."

Roula Khalaf and Jimmy Burns

Morocco's King Hassan II bas announced thet general elections will be held on the last Friday in October or the first Friday in November this year, about a month later than expected, writes Roula Khalaf. Moroccans will elect a lower bouse of 325 members. An amendment to the censtitution last year also created an npper bouse, with the power to bring down the government. The elections mark Morocco's move to a more democratic political system.

INTERNATIONAL NEWS DIGEST

Israel attack on Arafat

The Israeli government yesterday accused Yassir Arafat, Palestinian Authority president, of being "two-faced" in his attitude towards combating terrorism. But the US State Department said Mr Arafat would be judged "by deeds" in security co-operation with Israel.

A statement after an Israeli cabinet meeting headed by Benjamin Netanyahu, tha prime minister, said tha Palestinian Authority had done little to meet Israel'a aecurity expectations. But a statement by the Israeli defence forces said earlier this week that Israeli and Palestinian joint patrols were "working well" and contacts between officers at all levels on both sides were being maintained.

The cabinet statement followed a national unity meeting of Palestinians in Gaza on Wednesday which continued in the West Bank town of Ramallah yesterday. Mr Arafat, under pressure from Hamas, the Islamic resistance movement in the past responsible for a spate of bombings on Israeli civilian targets, publicly embraced Hamas leaders. The meeting's main significance was the attempt by the Palestinian leadership to forge some kind of consensus and rally the disparate elements hehind Mr Arafat's flagging authority. *Judy Dempsey, Jerusalem*

■ SOUTH AFRICA PROTEST

Marchers urge work changes

More than 20,000 workers marched through Johannesburg and Pretoria yesterday, calling for changes to draft legislation on working conditions. The Congress of South African Trada Unions (Cosatu) members were urging big business to revise its position on clauses of the Basic Conditions of Employment Bill, SAPA news agency said.

in Pretoria, at least 10,000 demonstrators marched to the Labour Department's head office to hand over a memorandum outlining grievances. SAPA said many employers reported a significant stay-away by workers heeding Cosatu's call for s 24-bour strike in the Johannesburg/Pretoria region and North West and Northern Provinces. The unions want six monthe' maternity leave, with at least four months paid, 16 years as the threshold for employment of children, and a five-year phased reduction of the work week to 40 hours. *AFP, Johannesburg*

■ CAMEROON CREDIT

IMF approves $219m loan

The international Monetary Fund has approved s new three-year loan worth $219m for Cameroon under its Enhanced Structural Adjustment Facility (Esaf), state radio in Cameroon said yesterday. Approval of the loan followed the signing by the prime minister, Peter Mafany Musonge, last month of a letter of intent mapping out planned economic reforms for the next three years.

The IMF said the first annual instalment of the loan would be $73m, the first half availabla immediately. Cameroon's agreed three-year programme aims at lifting real annual growth of gross domestic product to 5 per cent, limiting inflation to 2 per cent and stabilising the current account deficit at 2 per cent of GDP. *AP-DJ, Abidjan*

Caricom to hold volcano talks

By Canute James in Kingston and David Wighton in London

Several Caribbean Community (Caricom) leaders will hold an emergency summit in Antigua on Tuesday to discuss the situation in Montserrat, where s volcano has made uninhabitable the southern two-thirds of the British colony.

The meeting follows the start this week of a voluntary evacuation by the remaining 4,000 inhabitants. Percival Patterson, Jamaica's prime minister and Caricom chairman, will meet Keith Mitchell, prime minister of Grenada, Lester Bird, prime minister of Antigua, and Bertrand Osbourne, chief minister of Montserrat.

They will discuss Caricom's role in helping Montserratians leaving the island, with indications that members of the community will offer temporary homes to some. Several Caricom governments have criticised Britain's handling of the situation, suggesting the UK has done too little too late.

Britain is providing emergency cash aid for Montserratians wanting to leave. Adults moving to neighbouring countries can get £2,400 ($4,000) over the next six months if they do not have savings and assets valued at more than £10,000. Those under 18 can get £600. Britain will pay air fares to nearby countries.

Many Montserratians have rejected this package. Protesters have demanded British citizenship, protection for property left behind, medical coverage, unemployment compensation and assistance for displaced children to attend school.

Clare Short, UK international development secretary, yesterday denied charges the £10.5m package was ungenerous. Ms Short said the terms had to be put in the context of compensation to people in Britain in similar circumstances.

US raises Latin American hackles

Defence in the region has become a matter for public debate, says **Imogen Mark**

Eduardo Frei, Chile's president, is irritated with Washington. So is Argentina. The issue is defence and the debate, traditionally one for closed doors and huddled generals, is being played out in public.

Mr Frei, speaking on Wednesday at the formal publication of the National Book of Defence, Chile's first white paper on defence policy, warned the US that "assigning special privileges or [entering into] associations without consultation with some countries in Latin America impedes the creation of a climate of confidence and creates unnecessary uncertainties within our sub-regional blocs".

The same day the Argentine government released a statement in similar terms, commenting on the US decision last month to lift its embargo on arms sales to Latin America. "Military transfers to the region should not affect the strategic balance," it said, adding that the acquisition of sophisticated armaments "that lack justification in the existing climate of peace and security" should be avoided.

The US decision was prompted by Chilean plans to acquire new fighter aircraft, and the interest of US manufacturer Lockheed Martin in offering its F-16 model.

Mr Frei's remarks referred to the confirmation given last week by Madeleine Albright, US secretary of state, that Argentina was to be named a "close non-Nato ally" of the US. News of the decision, for which the Argentine government has been lobbying since the end of last year and which broke at the beginning of the month, apparently caught the Chilean government off-guard, although Argentine officials insisted thet Santiago had been fully informed of the request.

The same officials in Argentina said the special status was a form of compensation for the US decision to offer the F-16s to Chile. Argentina will not have the option to buy the same aircraft because of British objections. But as Chilean foreign minister José Miguel Insulza points out, Chile is still deciding which aircraft to buy, from among the Lockheed Martin F-16s, French Mirages or Saab Gripen aircraft from Sweden, and so offering compensation to Argentina is premature.

Argentine officials appeared genuinely puzzled by the strength of the Chilean reaction. Interviewed by Chilean public television at the weekend, Jorge Dominguez, Argentine defence minister, said that the US had also offered to give Chile the same status of "close ally", and Buenos Aires would be happy if Chile accepted.

The incident has weakened the impact of the bilateral meeting of foreign and defence ministers convened less than a month earlier, when it was announced that the two armed forces would carry out joint military exercises for the first time. Mr Dominguez said, however, tha manoeuvres would go ahead next year.

Argentina and Brazil have already carried out similar joint exercises, and Brazil has published its own paper on defence policy.

A Brazilian diplomatic source said the Chilean book was "an interesting initiative" and welcomed the suggestion that the regional defence ministries should work towards a uniform method of calculating defence spending.

The book breaks new ground by publishing a description of Chile's own defence budget, its arms and equipment, and also those of the other main Latin American nations.

However, the information on regional arsenals is almost entirely from non-classified sources, and draws heavily on international publications such as The Military Balance, a yearbook on world armies and weapons published in London, so no secrets are revealed. What is new is the collation and publication of such material by politicians with a view to forcing defence issues out into the open – a first for the region.

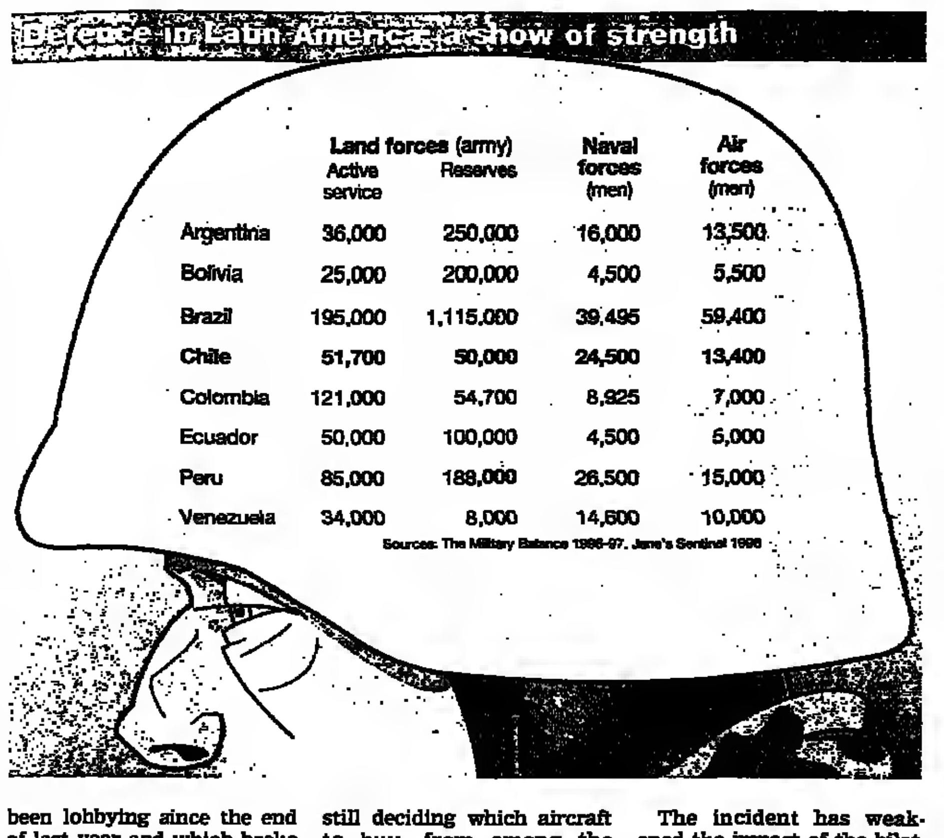
But some of Chile's neighbours have criticised Santiago for risking an arms race, because of the new weapons it is planning to buy.

Apart from the 16 advanced fighter-aircraft it wants to acquire, it has also placed a $500m contract with a French-Spanish consortium for two submarines, for delivery after 2006.

But Chile's acquisitions policy, according to the ministry, is to go for a small, efficient and technologically developed armed force, which means going for quality rather than quantity.

"Technology skills in the armed forces have to match those in sociaty," a senior official said.

Defence in Latin America: a show of strength



	Land forces (army) Active service	Reserves	Naval forces (men)	Air forces (men)
Argentina	36,000	250,000	16,000	13,500
Bolivia	25,000	200,000	4,500	5,500
Brazil	195,000	1,115,000	39,495	59,400
Chile	51,700	50,000	24,500	13,400
Colombia	121,000	54,700	8,925	7,000
Ecuador	50,000	100,000	4,500	5,000
Peru	85,000	188,000	26,500	15,000
Venezuela	34,000	8,000	14,600	10,000

Sources: The Military Balance 1996-97, Jane's Sentinel 1996

Brazil upset by overtures to neighbour

By Jonathan Wheatley in São Paulo and Leslie Crawford in Washington

The US proposal to grant Argentina the largely symbolic distinction of "close non-Nato ally" has upset Brazil.

Some Brazilians are interpreting tha US move as an attempt to drive a wedge between Argentina and Brazil, leading partners in the Mercosur trading group, in order to boost support for the US's own trade initiative for the region: a continent-wide Free Trade Area of the Americas (FTAA). So far Brazilian backing for this has been lukewarm.

Tha prickly relations between Brazil and Argentina, particularly when it comes to their respective roles on the world stage, were inflamed earlier this week when Carlos Menem, Argentine president, said in an interview published in a Brazilian oewspaper that Brazil's bid for a permanent seat on the UN Security Council would "break the balance" of power in tha region. Mr Menem's comments caused uproar in Brasília, where José Sarney, former president and leader of the Senate foreign affairs committee, accused the Argentine president of "turning himself into an instrument of division in our continent".

"An artificial climate of discord is being created to destabilise Mercosur," Mr Sarney said. "The Brazilian government cannot say so, but I can."

Walder de Goes, a political analyst in Brasília, said Mr Sarney's remarks reflected concerns in the Brazilian government that the US might be favouring Argentina in order to sour relations between the leaders of Mercosur.

But in Washington US officials denied any attempt to upset regional harmony. The US had accommodated Chile's wish to purchase US fighter jets and come up with its proposed "non-Nato ally" status for Argentina.

"This is a symbolic gesture, which confers no strategic military advantage to Argentina," a US official said.

At most, the distinction would allow Argentina to purchase some surplus Nato hardware.

For the Brazilians, the US had signalled its willingness to accept the concept of a permanent seat for Latin America on the UN Security Council. "However, it is up to the countries in the region to decide how that seat should be filled," the US official said.

With Latin American leaders preparing to meet at a summit in Asunción, Paraguay, this weekend, diplomats in the region are understood to be working overtime to tone down the hostile rhetoric.

AMERICAS NEWS DIGEST

Clinton acts over Amtrak

Bill Clinton, US president, yesterday imposed a 60-day cooling-off period to head off a possible crippling nationwide strike against Amtrak by a rail workers' union. He also appointed a special three-member board to help settle the dispute between Amtrak and the Brotherhood of Maintenance of Way Employees.

The union rejected a national mediation board's offer of binding arbitration, opening the way for a strike on September 5, bnt yesterday's order heads off that possibility until late October.

It comes as thousands of United Parcel Service employees head back to work after a costly two-week strike by the Teamsters.

The White House said Mr Clinton decided to intervene in the Amtrak dispute because a strike would interrupt freight rail shipments and inconvenience 500,000 commuters, especially in cities such as New York, Chicago, Boston and Philadelphia.

A White House spokesman said Mr Clinton acted ahead of the September 5 deadline to ensure that Congress would be in session when the cooling-off period expired, "so if the situation is not resolved by then, Congress can act if it so chooses".

The board is the 12th Mr Clinton has created since taking office in 1993. He most recently appointed a board in February to resolve a dispute between American Airlines and its pilots union. *AP-DJ, Edgartown*

■ NESTLE

Manager denies trafficking

The manager of Nestlé's only factory in Guatemala and his son have denied allegations of international drug trafficking in a marathon *in camera* preliminary hearing. The judge responded with an order of pre-trial detention, formalising the incarceration of the two Swiss nationals who were arrested this month.

The judge's order also starts the statutory three-month period of investigation designed to lead to a formal indictment or the closure of the case against Andreas Hänggi, who took over the Nestlé factory in 1993, and his son Nicholas.

Prosecuting attorney Jose Alberto Lopez will direct the investigation into evidence he alleges points to the involvement of the Hänggis in a drug trafficking ring popularly known as the German Connection.

Their detention followed leads from detainees in Germany and correspondence allegedly linking them to the April seizure of 13kg of cocaine in Guatemala's biggest Atlantic port. According to the national anti-drug unit the cocaine was hidden in the sides of s refrigerated container full of ornamental plants bound for Hamburg. The container was allegedly rented by Mr Andreas Hänggi on behalf of a company called Sesentas, in which his son worked. *Johanna Tuckman, Guatemala City*

■ PARAGUAY POLITICS

Wasmosy faces impeachment

Juan Carlos Wasmosy, Paraguayan president, could face impeachment after his party, the Colorados, voted to seek his censure in Congress, ruling party officials said yesterday.

"There has been a series of extremely serious political crimes that are the exclusive responsibility of the person who now holds the highest office in the republic," Colorado senator Carlos Galaverna said.

Party officials voted unanimously on Wednesday night to seek Mr Wasmosy's impeachment, which would need approval first by the Chamber of Deputies and then by the Senate, with the support of at least two-thirds of both houses.

Mr Wasmosy, Paraguay's first freely elected president in 50 years, has been warring with a rival faction of the ruling party. The dissident faction publicly accused Mr Wasmosy on Monday of plotting with the armed forces to intervene in party primaries next month to choose the candidate for presidential elections in 1998.

They have also alleged that Mr Wasmosy was involved in a $3m drug fraud, as well as arms trafficking, fraudulent sell-offs of state companies and misappropriating public assets. *Reuters, Asunción*

Menem on the defensive as alliance steals his thunder

The queue outside the church of San Cayetano in Buenos Aires stretched almost 2km. Thousands of people, some of whom had been camping out in the cold for days, were waiting to spend just a few moments before the saint's image. They had come from all over Argentina to pray for work and bread.

This gathering of careworn pilgrims earlier this month took place in the capital city of Latin America's fastest-growing economy. Argentina's gross domestic product is expected to increase by about 8 per cent this year, and the more optimistic forecasts are edging ever closer to double figures.

The macroeconomic performance looks almost Tiger-like. But it co-exists with unemployment of more than 16 per cent and a broad perception of social inequality which have pushed the economy into the centre of the political campaign ahead of October's mid-term elections, in which half the seats in the lower house of Congress are at stake.

The popularity of Carlos Menem, president, has been sliding even as economic growth has surged. A bad defeat for his party in October risks making him a lame duck for the remaining two years of his mandate, intensifying party divisions.

Mr Menem's ruling Peronist party and the newly formed opposition Alliance for Work, Justice and Education are battling not only over who can best guarantee continued growth, but also who is best placed to translate that growth into a stronger sense of national well-being.

Argentina and the IMF have agreed to ditch plans to seek a multi-billion-dollar bridging loan to fund public works prior to the sale of its mortgage bank, an economy ministry official said yesterday, Reuters reports from Buenos Aires.

Argentina pledged to drop the idea as part of tough continuing negotiations for a $1bn extended fund facility (EFF), the official said. The Peronist government of Carlos Menem hopes to clinch the EFF in September, safely before mid-term congressional elections in October.

The government had planned to take out a bridging loan for the expected $2bn-$3bn value of the sale of the bank, Banco Hipotecario. The funds were to be put into an off-budget trust fund and used for public works. Argentina has now agreed to wait until the sale of the bank before spending the money.

Argentina: the threat to Menem

Lower House of congress

Party	Current composition (seats)	%
Peronist	133	51.8
Radical	68	26.5
Frepaso	22	8.6
Other	34	13.2
Total	257	100

Menem's approval rating

Year	%	1997	%
1989	[illegible]	March	[illegible]
1990	45.1	May	19.0
1991	[illegible]	June	[illegible]
1992	44.1	July	18.6
1993	[illegible]	August	[illegible]
1994	41.8		
1995	[illegible]		
1996	23.8		

Source: Centro de Estudios Unión para la Nueva Mayoría

The Alliance, which brings together the centrist Radical party and the centre-left Frepaso, has embraced much of tha Peronist economic agenda.

It endorses the convertibility plan, the successful anti-inflation strategy that links the peso at par to the dollar. It has also promised not to roll back the privatisations pushed through under Mr Menem since 1989.

The Alliance is also highly critical of the concentration of economic power which it claims Mr Menem has turned a blind eye to. The Menem government "is practising a kind of obsolete Thatcherism – the neo-liberal ideas in vogue in the 1980s", said Rodolfo Terragno, Radical party leader.

But when it comes to setting out specific policies, the Alliance is guarded in the extreme. One concrete proposal is to take a tougher line with "monopolies". "There is an important role for the state in regulating and checking the performance of the privatised public services," said Carlos "Chacho" Alvarez, principal Alliance candidate in Buenos Aires.

On reform of Argentina's slow and scandal-wracked judicial system, the Alliance backs plans to create an independent body to oversee the appointment and monitor the performanca of judges.

This embrace of much of his economic agenda has thrown Mr Menem on to the back foot. His initial response has been an attempt to link the new group with the last days of Raúl Alfonsín's Radical government in 1989. Mr Alfonsín handed over power to Mr Menem five monthe early amid political paralysis and hyperinflation.

To blunt the Alliance attack over high unemployment, the government has announced ambitious spending plans, largely a repackaging of existing projects, and moves to extend the social safety net.

Policy differences between the Alliance and the Peronism of Eduardo Duhalde, governor of Buenos Aires province and the frontrunner to win the Peronist presidential nomination in 1999, are even harder to detect.

Mr Duhalde backs the kind of job-creating, interventionist role for the state advocated by the Alliance. He recently incurred the wrath of the economy ministry by urging the creation of a ministry of production.

The Alliance too has its divisions and the two parties are struggling to extend their pact, initially covering only the province and city of Buenos Aires.

Nonetheless, the Alliance is at least in with a chance of overturning the Peronist majority in October.

If it can establish itself as a coherent political force, it could pose an even bigger threat to the ruling party in the presidential elections in 1999, when Mr Menem must stand down.

Ken Warn

Seoul acts to halt currency slide

By John Burton in Seoul

The South Korean currency, the won, yesterday stabilised after the central bank said it would intervene to stop a recent fall caused by worries over a liquidity shortage and a threatened foreign credit downgrade for main banks.

The central bank pledge to prevant the won falling below a psychological threshold of 900 to the US dollar resulted the currency remaining unchangad at 878.70 yesterday.

In spite of the recent fall in the won, South Korea is not facing a currency crisis on the scale of south-east Asian countries. The won has slipped just 0.8 per cent this month. It is considered only slightly ovarvalued against the dollar after it fell by 8 per cent in 1996 and 6 per cent so far this year. Nonetheless, the currency is at its lowest level since 1990, when South Korea introduced a limited exchange rate system.

Demand for US dollars rose in response to fears that foreign currency loans may be more difficult to obtain if international credit ratings for Korean banks and companies are downgraded in response to a recent string of big corporate bankruptcies, inclnding the near-collapse of the Kia car group.

The central hank intervaned ln the foreign exchange market on Tuesday by selling $1bn after the won briefly plunged to 901 to the dollar.

The government has favoured a gradual depreciation of the won to boost exports and reverse en economic slowdown. A weaker currency would also reduce imports and narrow the nation's current accoont deficit, which reached a record $23.7bn last year.

Meanwhile, the central bank is also trying to cap a recent rise in interest rates and ease tight money supply problems as ailing financial institutions become cautious in corporate landing. The benchmark three-year corporate bond yield has risen to 12.3 per cent, the highest level since May 9.

The central bank has injected Won5,000bn ($5.6bn) into the financial markets, inclnding Won1,600bn on Wednesday by huying government bonds under repurchase agreements.

It also extended $500m in foreign currency loans to seven investment banks to ease a funding shortage. Commercial banks are reluctant to give new loans to the investment banks because of worries that they could become insolvent as a result of their lending exposure to bankrupt business groups.

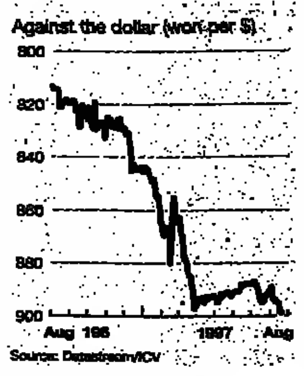
The finance ministry believes pressure on the won will ease as the current account deficit narrows in the second half of 1997 as exports continne to grow, given a weak currency.

But some analysts said that the won could weaken further if more big corporete bankruptcies occur. The Seoul bourse fell yesterday by 6.76 points to 739.47 on rumours, later denied, that the Haitai food group was having financial prohlems.

Currencies, Page 23

South Korean won

Against the dollar (won per $)



Source: Datastream/ICV

Japan pressed for BIS loan to Thailand

By Peter Montagnon, Asia Editor, in London and Ted Bardacke in Bangkok

The $3.3bn standby bridging loan facility for Thailand put together by the Bank for International Settlements was assemhlad at tha request of Japan with strong backing from the US, European central bankers said yesterday.

The aim was to demonstrate strong international consensus behind the rescue effort for the Thai economy and that country's adjustment programme agreed with the International Monetary Fund.

Abont half the amount was committed by Asian countries, including several committing medium-term funds to the broader $16bn rescue package announced two weeks ago. The other half came from the US and a range of European coontries.

The central bankers dismissed suggestions that the loan was designed to assert the role of the BIS at a time when there has been talk of setting up a separate, similar institution in tbe Asia-Pacific region.

Central banks from outside Asia accepted the idea that Japan should play a leadership role in the rescue effort, not least because of the large exposure of its banks to Thailand.

Japan, for its part, felt the need for a broad expression of support from beyond the Asian governments which, together with the IMF, World Bank and Asian Development Bank, had provided the main package.

But the European bankers noted that the official announcement from the BIS was vaguer than with similar arrangements for Mexico and Latin American countries, promising simply to provide liquidity assistance in case of need "under conditions to be determined".

There had been resistance from some European central banks. Some of the commitments were quite loose, and it was not clear how much of the BIS loan could be activated immediately, they said.

Some central bankers believed there may be no need for Thailand to draw on the facility at all, though with nearly $15bn in offshore forward swap contracts coming due over the next 12 months its reserves could come under pressure.

"The total amount available is $3.3bn," said Chaiyawat Wibulswasdi, Thai central bank governor, but he acknowledged the amount on the table at present might be only around $1bn. "Maybe we don't have to use it at all if we don't have a liquidity problem. In my opinion the number of $1bn or $3bn is not important," he added. "It is a gesture that the BIS and other countries are showing their support for the IMF programme."

As for regional co-operation, the BIS had supported moves in that direction and had provided technical assistance not only in Asia and Latin America but also in the Middle East, southern Africa and eastern Europe, the bankers said.

It did not see such co-operation conflicting with its traditional role as the central bankers' central bank, though it was keen to see certain activities being kept "under one roof", according to one banker.

Country support operations could be handled on s purely regional basis depending on size, but it was important the BIS provide clear leadership on global issues such as standards of banking supervislon and financial market regulation.

Goh testimony under attack

By James Kynge in Kuala Lumpur

In scenes full of intense courtroom drama, a top British lawyer yesterday accused Goh Chok Tong, Singapore's prime minister, of being "economical with the truth" whila testifying in a defamation suit against the city-state's leading opposition politician.

George Carman, a Queen's Counsel, who is representing Joshua Jeyaretnam, leader of the opposition Workers' party, also said that Mr Goh had exaggerated and put "a shine on" things during his testimony.

Mr Carman declined to apologise for his blunt words despite receiving a note from Mr Goh's lawyer indicating that the prime minister was seeking "additional aggravated damages" after his cross-examination by Mr Carman on Tuesday was published.

"So there is no apology for the way in which the defence bas heen conducted," Mr Carman said in his closing submission.

"If a claim is misconceived, it is misconceived even if it is advanced by the prime minister of Singapore."

Mr Carman's claim that Mr Goh was economical with the truth rests on what he said was a discrepancy between the prime minister's testimony earlier this week and an affidavit filed before the court bearing began.

Mr Carman said in court yesterday that in his testimony, Mr Goh maintained that 1997 was a good year and his standing in tbe world had not been injured. But in the earlier affidavit, Mr Gob said his reputation and moral standing had been gravely damaged. Mr Carman said the two statements were contradictory.

The heart of the issue is whether Mr Jeyaretnam defamed Mr Goh and 10 other politicians – including Lee Kuan Yew, the nation's founding father – by innueodo during an election rally in January.

The court was told that Mr Jeyaretnam had held up a brown envelope and told the crowd that a Workers' Party colleague, Tang Liang Hong, was making two pollce reports against Mr Goh and his associates for defamation. Mr Goh, Mr Lee and their ruling People's Action party (PAP) colleagues assert that Mr Jeyaretnam's statement endorsed Mr Tang's stand.

But Mr Carman argued yesterday that Mr Goh and his co-plaintiffs did not have a case because they let the local press publish the police reports lodged by Mr Tang only about 12 hours after Mr Jeyaretnam made his remarks. "The law is if you consent to publication you can't sue on it," Mr Carman said.

Mr Goh's lawyer, another Queen's Counsel, Tom Shields, argued that Mr Jeyaretnam's remarks made on the eve of polling day were timed for maximum political effect and to cause the maximum personal hurt.

Mr Tang – who was part of Mr Jeyaretnam's losing Worker's party team in their electoral battle with the PAP – was in May ordered to pay S$8.08m (US$5.3m) in damages to Mr Goh, Mr Lee and other PAP politicians.

Mr Carman has argued that the motivation for Mr Gob's action is to disable the political opposition through court actions. Mr Goh maintains the case is merely an attempt to protect his reputation, which as prime minister should be highly prized.

Joshua Jeyaretnam (left) outside the Singapore high court with his lawyer, George Carman Reuters

India nearer oil price increases

By Amy Louise Kazmin in New Delhi

The Indian government's main policy-making body has given the go-ahead to I.K. Gujral, the prime minister, to raise petroleum prices, after months of delaying the sensitive decision because of severe internal divisions.

The nod from the United Front coalition steering committee means the long-expected oil prices increase ls imminent. Last year, the UF buckled to popular pressure and reduced by half a planned diesel price rise.

Leftwing coalition members, who have vociferously opposed the rise, appear to have been appeased by a UF promise to strengthen India's targeted Public Distribution System, which provides subsidised food to individuals below the poverty line.

P. Chidamharam, India's reform-minded finance minister, has been calling for months for an immediate increase of 15 to 20 per cent in kerosene, liquefied gas and diesel to cover a mounting "oil pool deficit" – government compensation to oil companies for selling refined products st below the international market levels. The oil pool deficit, now estimated at between Rs19bn and Rs22bn ($530m-$620m), is rising at Rs300m a day. Mr Chidambaram, struggling to control India's fiscal deficit, argued that the subsidies were unsustainable.

Memhers of the fractious 16-party UF coalition have been loath to take a step that might antagonise voters.

The rise in oil prodnct prices will hit the poor, who use kerosene for cooking. India's trucking industry, which transports a large proportion of the coontry's goods, will also be burdened.

The UF's tacit assent to a price increase came after a contentious two-hour meeting last night. Mr Gujral may still face resistance from the Congress party, UF's parliamentary ally. Congress recently said it would not support any stopgap measure to deal with the oil pool deficit.

Although details of the likely price rise have oot been announced, the increase is expected to be accompanied by structural reforms of the highly regulated petroleum industry.

Possible reforms include loosening controls on the import and export of crude oil, ending the licensing of the industry, and dismantling the administrative price mecbanism on crude refining. However, the government is unlikely to end the price controls of marketing and distribotion of oil products.

ASIA-PACIFIC NEWS DIGEST

Taiwan pledge on China ties

Vincent Siew, Taiwan's premier-designate, yesterday vowed to improve the island's relations with China after he takes over his new post on September 1. "The normal development of cross-strait relations [with China] is very important... We hope to search for breakthroughs," said Mr Siew, a legislator for the ruling Nationalist party.

Mr Siew, who will replace Lien Chan, the incumbent premier, was once Taiwan's top policy maker toward China, which sees the island as a renegade province. Mr Lien, who remains vice-president, resigned as premier yesterday. He has come under fire over a spate of violent crimes on the island, including the kidnap and murder of the teenage daughter of a popular actress in April.

Mr Lien said yesterday he was interested in standing for the presidency in 1999, but it was still too early to make an announcement. Mr Siew, a rising star in the Nationalist party, was generally seen as a liberal when he led the Mainland Affairs Council and the Council for Economic Planning and Development, the main economic policy planning agency, in 1983-94. *Reuters, Taipei*

■ KYOTO CONFERENCE

Black hole at galaxy's centre

Evidence of a huge black hole at the centre of the galaxy was reported yesterday by German and US scientists at the 23rd general assembly of the International Astronomical Union in Kyoto, Japan. Two teams of astronomers reported similar findings based on observations of a star-like object orbiting about 2,000km per second around a centre point in the Milky Way.

A team led by Reinharde Genzel of Germany's Max Plank Institute, said calculations based on the object's speed indicated the existence of a mass about 2.5m times greater than the sun's at the centre of its orbit. The discovery suggested a huge black hole. A team from the University of California reported similar findings based on observations through the W.M. Keck Telescope, the world's largest. Other astronomers said the discovery could provide proof of a black hole at the centre of the Milky Way. So far, scientists have only assumed this, based on X-ray and redio signals. *Gwen Robinson, Tokyo*

■ FIVE-YEAR BREAK

Japan-N Korea talks start

Japanese and North Korean negotiators yesterday concluded the first day of talks in Beijing aimed at restarting the process of normalising relations, stalled for nearly five years over bitter bilateral disputes.

Japanese officials refused to comment on whether any progress had been made in the first two sessions yesterday. They declined to say where or when the third session would take place. It was unclear whether the talks would continue today.

Japanese officials have indicated that successful talks would clear the way for Tokyo to join global relief efforts for North Korea, where millions are threatened with famine after a series of natural disasters and years of failed farm policies. Eight rounds of similar talks on normalising ties between Tokyo and Pyongyang ended abruptly in November 1992, when communist North Korea stormed out of the negotiations after Tokyo raised allegations that Pyongyang agents had kidnapped Japanese nationals. *Reuters, Beijing*

■ PRESIDENTIAL ELECTION

Vice-president attacks Ramos

Mr Joseph Estrada, Philippine vice-president, yesterday launched a stinging attack on the administration of President Fidel Ramos and outlined the opposition programme in tha run-up to the 1998 election. Mr Estrada, a former movie star who remains enormously popular with voters, accused the administration of mishandling the recent currency crisis, which has seen the peso fall by as much as 12.4 per cent.

Mr Ramos had tried to defend the peso at an unrealistic rate, Mr Estrada said. He urged him to end speculation over an extension to his term, now prohibited under the 1987 constitution, which limits the presidency to a single six-year term. "Let us stop this oonsense. Two-thirds of the people are against charter change," he added.

Mr Estrada claims 20 per cent of the budget is lost each year in corruption. There had been more than 5,000 graft cases, but the government had failed to make a single important conviction, he said. *Justin Marozzi, Manila*

NZ central bank takes flak

Sometimes even model central bankers must think things never go right. New Zealand's central bank may be admired in other industrial countries for its strong anti-inflation policy but it is having a rough ride at home.

Having been under fire for allowing the New Zealand dollar to rise too far because of its tight anti-inflation policy, the Reserve Bank is now taking flak from the other direction.

Businessmen are complaining that interest rates have risen in the wake of exchange market turbulence that has seen the currency fall about 7 per cent against the US dollar since the end of June. That the currency gyration is part of the same wave thet has swept several Asian currencies from their peg as the US dollar has risen is little excuse, it seems.

Business is squarely blaming the central bank's tough monetary policy for rising levels of unemployment, falling corporate profits and low levels of consumer and business confidence.

But the bank is refusing to relax its stance despite latest data showing inflation at 0.1 per cent in the June quarter or 1.1 per cent for the year. Critics say this raises questions about the effectiveness of ita much-vaunted monetary conditions indax at times of violent market movements. The index measures the impact of exchange and interest rate changes on monetary conditions; the bank uses it to set a policy which will help it meet inflation targets.

Last month, the bank forced a rise of 1.5 percentage points in domestic borrowing costs – which took home mortgage rates to 10.5 per cent – in response to the sudden fall in the value of the New Zealand dollar.

Roderick Deane, who as a former deputy governor of tha Reserve Bank in the 1980s was the key architect in its restructuring, criticised Don Brash, Reserva Bank governor, for imposing monetary conditions that are a "bit on the tough side".

Mr Deane, chief executive of Telecom, the country's biggest company, and a director of a string of big companies including Fletcher Challenge and ANZ Bank, said New Zealand had moved into what is "essentially a recession".

"Companies face not very favourable conditions because of the firm conditions the Reserve Bank is using to keep a lid on inflation," he said. Economic growth had fallen to 0.5 per cent in March from an annual rate of 2.2 per cent and was expected to fall to zero in June, he added.

In keeping monetary policy tight, Mr Brash is relying on the bank's own forecasts suggesting a pick-up in growth and inflation next year. Mr Deane and other businessmen have also criticised the new coalition government for seeming to fail to sat a framework for growth.

Mr Deana said Mr Brash had done a "brilliant job" in the past decade, and people now believed inflation could be kept down. "Maybe we've been a bit too tough on ourselves in the past 12 months or so," he declared.

Hugh Fletcher, the outgoing chief exectnive of Fletcher Challenge, rebuked the Reserve Bank this week for the "damage" its policies had done to the export sector by maintaining the dollar until recently at levels that were too high.

Winston Peters, the Treasurer, responded angrily to Mr Deane's comments, saying the government had given business all it wanted, including a budget surplus. "Business demanded in 1984 that the government get out of their lives and ont of business. Are we expected to kick-start the economy all by ourselves?"

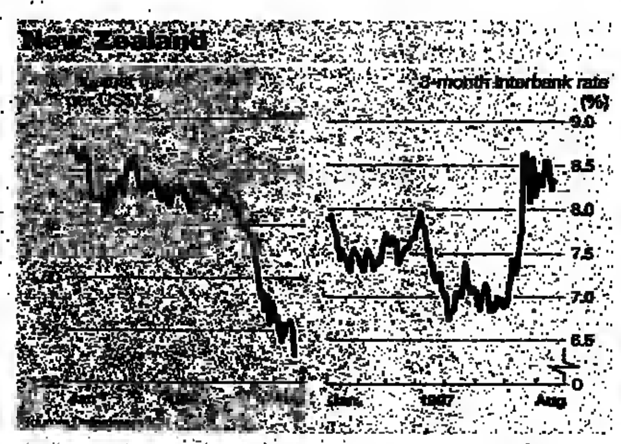
Government policies – such as postponing tax cuts, higher spending, and uncertainties flowing from a possible switch to compulsory pension contributions if a referendum next month backs the idea – have been blamed for eroding business and consumer confidence.

The weaker currency has been welcomed by exporters, especially in agriculture, who have complained loudly about the impact of a strong currency on overseas sales.

Business people and home-owners are upset by the surge in domestic borrowing costs, which have given New Zealand among the highest real interest rates in the world, reducing spending power and confidence.

They hope tha Reserve Bank will move to allow some easing in monetary policy in its next policy statement, due in a month. But this is far from certain.

Terry Hall



Brash: tight money policy

NEWS: WORLD TRADE

US takes swipe at Japanese supercomputers

By Michiyo Nakamoto in Tokyo

The US yesterday announced crippling anti-dumping duties on supercomputers made by Japanese companies NEC and Fujitsu.

The US Department of Commerce made a final ruling that NEC had sold its Vector supercomputer at unfair value and unveiled anti-dumping duties of 454 per cent on these. It also put 173 per cent duty on supercomputers made by Fujitsu and 313.5 per cent on all other Japanese supercomputers.

The department's move comes on the heels of a rejection by the US Court of International Trade last week of NEC's call for e permanent injunction against the anti-dumping inquiry.

If the duties are put into effect, as widely expected, it is likely to shut two of Japan's leading supercomputer makers out of the US market.

"There is a chance we will have to reconsider our US strategy," said Mr Yukio Mizuno, a general manager at NEC. "We think the US market is oot open. The government (procurement) market is completely closed," he commented.

The Commerce Department's step comes in response to dumping charges filed last summer by Cray Research, the US snpercomputer maker, against NEC. Cray charged that the Japanese supercomputer maker won a government procurement bid, to supply the National Center for Atmospheric Research of the University Corporation for Atmospheric Research with its advanced SX-4 supercomputers, at less than fair value.

In response, NEC appealed to the US Court of International Trade to issue a permanent injunction against the anti-dumping inquiry by the Commerce Department. The company claimed that the department had worked in close co-operation with Cray to block NEC's sale.

The anti-dumping duties would come into effect only after a final decision by the International Trade Commission on whether or not there has been injury to US industry as a result of the dumping. The ITC is expected to make its final ruling next month but has already made a preliminary ruling in favour of the Commerce Department.

"The real victim in this unreasonable dumping suit is the user of the supercomputer, the National Center for Atmospheric Research," NEC said. The calculations the NCAR needs to make with its supercomputers can be done in 9 days with NEC's supercomputer but is estimated to take a month using the Center's current Cray/C90 machine, the company noted.

India pressed on import controls

By Amy Louise Kazmin in New Delhi

Australian trade officials arrive in New Delhi today to press India to phase out its extensive import controls.

The informal talks are a precursor to formal consultations in Geneva next month at the World Trade Organisation. Officials hope tha talks may help India and its trading partners find a solution to the disagreement before the WTO's formal dispute settlement mechanism takes effect.

India, which has kept a tight grip on imports for four decades, is under pressure to abolish soon restrictions on imports on more than 2,700 products.

India has accepted this in principle but has disagreed with its trading partners over how fast it can eliminate the controls.

Australia, which sold aboot $940m of goods to India in 1996, is particularly eager to see an end to restrictions oo agricultural products, processed food; and other raw materials.

Bnt the removal of import controls on food is a sensitive issue in India, where 60 per cent of the population work on farms.

India's position has appeared to soften over the past few months. Government officials who once took a hard line now suggest they are keen to achieve a settlement.

● The expansion plans of a host of Indian oil refineries have been hit by a government directive which denies them an import duty waiver given to new refiners, a senior official said yesterday.

Between them, the existing refiners, mostly state-owned, had planned to add capacity of up to 24.2m tonnes a year when the directive from the Finance Ministry stopped them in their tracks, the Petroleum Ministry official said.

WORLD TRADE NEWS DIGEST

Egypt lifts poultry ban

Egypt has lifted a 10-year ban oo the import of poultry, giving foreign suppliers access to e market worth up to $2.4m a year. The Ministry of Trade and Supply revoked the ban only after introducing an 80 per ceot tariff – the maximum allowable to protect local industry. The tariff, to be applied on the minimum price of $1,600 per tonne of imported poultry, will be reduced by 2.4 per cent a year. Importers will pay around $1,200 per tonne in duties. Local products are expected to sell for between E£6 ($1.90) and E£8 ($2.30) apiece, while imported poultry will retail for around E£9.50. *Mark Huband, Cairo*

■ AZERBAIJAN OIL

Pipeline hitch may hit output

The Azerbaijan International Operating Co, the international consortium operating an $8bo Azerbaijan offshore oil project, may halt production at its first well, a company official said. Completion of the northern pipeline for exporting crude from Azerbaijan through Chechnya and Russia to the Black Sea port of Novorrosisk has been delayed, forcing the consortium to consider the stoppage.

Problems between Chechnya and Russia are causing the pipeline delay. Two months ago, both countries said they had resolved outstanding issues. The AIOC members are Amoco, BP, Exxon, Pennzoil, Unocal, Ramco, Lukoil, Itochu, Statoil, Turkish Petroleum, Delta Nimir and Azerbaijan's state-owned SOCAR. *AP-DJ, London*

■ CHINESE IMPORTS

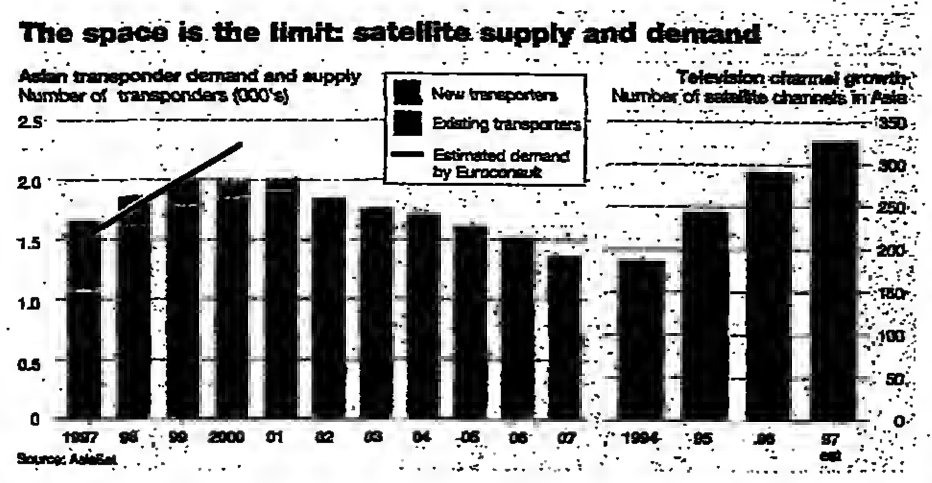
Tobacco tariff to be cut

China will cut tariffs on tobacco imports as part of its bid to join the World Trade Organisation, officials of the state tobacco monopoly said.The officials declined to say by how much or when the tariffs would be cut. They said legal imports now amounted to about 700m cigarettes a year – insignificant when compared with contraband imports. The tobacco import monopoly has been reluctant to increase imports as profits are minimal against the contraband cigarettes. About 50bn foreign cigarettes are smuggled into China each year, giving foreign cigarettes a market share of about 2.9 per cent. *Reuters, Beijing*

Asian satellite market goes into orbit

John Ridding questions the implications of eastern nations' race into space

The space is the limit: satellite supply and demand



Source: AsiaSat

Propelled into orbit this week by China's Long March 3B rocket, the Agila, the Philippines' first satellite, has joined a growing Asian space fleet.

The rapid expansioo reflects growing demand in Asia for telecommunications and television services. New players are entering the industry, includiog the Mabuhay consortium that operates the Agila. Established operators, such as Asiasat, are expanding on the back of strong profits growth. This month, the Hong Kong-based operator reported first-half net profits of HK$309.5m (US$40m), a rise of 85 per cent.

But the race into space forces operators to aim at a moving target. They oeed to ascertain whether the skies above Asia are becoming too crowded and whether the rise of the sector will be sustained. With each launch costing betweeo US$150m and US$350m, depending on the size and power of the satellite, matching supply and demand is crucial.

"We feel there is too much capacity coming on," says Anders Hansson, sector analyst at Deutsche Morgan Grenfell. He argues that impending oversupply could cut the cost of lease rates for transponders, the transmission devices on satellites, by 20-35 per cent over the next two to three years. That may be good news for broadcasters and telecoms operators, but it could lead to leaner years for satellite operators and may create pressures for consolidation in the sector.

The rise in capacity is clear from the numbers. After seveo successful launches last year, a similar number of satellites have been placed in orbit so far in 1997. "We will possibly see six or seven more this year, and in 1998 we are aware of 16 announced launches," says Mr Hanssoo "It is not just the oumber," he adds, pointing to the increased number of transponders per satellite, and the increase in capacity allowed by the digital compression of signals.

There are, bowever, important caveats to supply forecasts. Plans often remain on the drawing board due to lack of financing, or occasionally come crashing down in flames as tbe launch vehicle fails. "Out of 15 satellites expected for 1996, only seven took place," says Cassindy Chao, satellite and media analyst at Goldman Sachs in Hong Kong. China's launch schedule, for example, was seriously disrupted by the explosion of its first Long March 3B mission last year.

A senior executive at ooe Asian telecoms operator cites other considerations curbing supply, ranging from the limited number of slots available – most of which are now full and registered with the International Telecommunications Union, the UN body which regulates the industry – to the limited number of launch vehicles.

But optimists such as Bill Wade, executive director at Asiasat, which is planning to launch Asiasat 3 by the end of the year, point to the strength of underlying demand. "If you take the case of VSAT [satellite applications often used in private telecoms networks] then demand is growing in excess of 20 per cent this year," he says. Digital compression, he argues, has also stimulated demand because it has allowed new broadcasters to come on line. "You would require about 400 transponders to be launched each year in Asia to cater for retiring satellites and demand going forward. That is a lot of satellites," he adds, noting that Asiasat 3 will have 44 transponders.

Even optimists such as Mr Wade, however, see a period of increased competition and weaker demand in specific markets.

Part of the problem is politics, notably in india, where the government has halted direct-to-home satellite TV systems while it wrestles with its broadcasting legislation. Although considered temporary, the hiatus has dealt a blow to the sector.

"We are also seeing political factors behind some of the launches," saya one industry executive. "Having a national satellite is becoming something of a status symbol. But there may not always be enough demand."

Because of differences in coverage and power, the impact of increased competition will vary across the industry. "Operators with good orbits and a good track record, such as Asiasat, are in a relatively strong position," says one investment banker involved in the sector. "But some of the newcomers may find the going tough."

Mr Hansson at Deutsche Morgan Grenfell believes competitive pressures provide scope for mergers and acquisitions. "I don't think consolidation is far off," he says. Apart from the logic of reducing costs, he cites the attractions of Asia to international operators. "The name of the game is global coverage," he says.

Consolidation is already under way in the US, where Hughes and Panamsat merged at the end of last year, followed swiftly by Loral's acquisition of AT&T's Skynet.

"Some of the big players might want a base in Asia," says one industry executive, arguing that the sector and some of its operators appear attractive. "These are still early days for Asian satellite operators, but this youth is proving precocious."

هكذا من الأصل

NEWS: UK

Labour, once the scourge of 'sleaze' among Conservatives, confronts a dark stain in one of its own strongholds

Shadow over hopes for a Scottish parliament

The Scottish Conservative party yesterday unveiled a hard-hitting poster. It showed the face of Tommy Graham, the Labour MP who earlier this week was suspended by his party, and asked: "Could you face a Scottish parliament?"

The question arises after three weeks of revelations about "sleaze" in the Labour party in the west of Scotland's "central belt". Labour dominates Scottish politics. It was strong before the general election in May, and had more Scottish MPs than any other party. The fact that Scotland was governed by John Major's Conservative government, even though its voters overwhelmingly supported Labour, stimulated the desire for a separate Scottish parliament.

In April, Labour made the pledge to hold a referendum about a Scottish parliament one of the main planks of its manifesto for the general election. In the election all Scottish Conservative MPs, including cabinet ministers, were swept out of office, and Labour was left more dominant than ever.

The party holds 56 of the 72 Scottish seats in the House of Commons even though it gained only 47 per cent of the vote in Scotland in the general election on May 1. It controls 20 of the 29 municipal authorities on the Scottish mainland.

Some people fear that the troubles of the party could spill over, influencing the outcome of the referendum next month on Scottish devolution. They even wonder whether the scandals might affect popular attitudes to a future Scottish parliament, which might well be dominated by Labour.

The referendum might yet be close. Though opinion polls show a big majority in favour of the proposition that a Scottish parliament should be established (65 per cent for, 19 per cent against), they show a smaller majority for the assembly having tax-raising powers (54 per cent for, 27 per cent against).

A defeat on the second question would be embarrassing for the government. So would a poor turnout at the polling stations on September 11. The pro-devolution forces admit privately that, if the turnout is much below 60 per cent, the exercise begins to lose democratic credibility.

It is not clear, however, exactly how strong the public response to Labour's troubles will be. Mr Graham has been suspended by the Labour party for verbal attacks on colleagues, some made after the suicide last month of Gordon McMaster, the Labour MP for Paisley South. But Mr Graham, who is MP for the nearby district of Renfrewshire West, was cleared by the Labour party's chief whip of smearing Mr McMaster's reputation. Most people in Scotland will probably be unsure exactly what he did wrong.

A long list of claims has included allegations that a security business financed by a Labour-led local authority was involved in money laundering and drug dealing

The accusations against Mr Graham might be seen in the context of wider differences between various parts of Scotland. Mr Graham is associated with Paisley, the industrial town near Glasgow where the local party has been accused of numerous questionable activities. There have been allegations that a council-funded security business on a housing estate was involved in money laundering and drug dealing.

Two prominent local party members were suspended along with Mr Graham, and Tony Blair, the prime minister, has ordered the creation of a task force to overhaul the party in Renfrewshire.

Labour's dominance of Scottish politics is especially glaring in the west of Scotland where its MPs are mostly returned on overwhelming majorities and where habits verging on the corrupt have abounded. In the early 1990s, Monklands, which covers the towns of Airdrie and Coatbridge to the east of Glasgow, became a byword for pork barrel politics.

The danger for the government is that some Scots will be put off voting Yes in the referendum for fear that the Labour's Glasgow-area practices might infect the Scottish parliament. In the 1979 referendum, when devolution failed to attract sufficient votes, most areas outside the central belt around Glasgow and Edinburgh voted against constitutional change.

Since then, however, Labour has strengthened its presence outside this belt and will rely on its electoral machine to deliver a double Yes vote.

There is also a healthier side to the Scottish Labour party. The councillors who run Edinburgh, the Scottish capital, with a degree of success are trim, clean-cut figures who present a completely different image from that of Mr Graham. It is Edinburgh and the east of Scotland which elect to Westminster cabinet ministers such as Gordon Brown, the chancellor of the exchequer, and Robin Cook, the foreign secretary.

Even if there were a strong public reaction against Labour which influenced the referendum, that would not necessarily affect public attitudes to the Scottish parliament.

The new body is to be elected by a two-part electoral system which is unlikely to result in any party having an overall majority. Of the 129 members, 73 will be elected under the first-past-the post system, in which the candidate with the largest number of votes is the winner. That is the system used for elections to the House of Commons. The other 56 members of the Scottish parliament will be chosen under a system of proportional representation.

Labour might well be the largest single party but would probably not be able to govern without a coalition partner, probably the pro-European Liberal Democrat party. Labour would face opposition from the Scottish National party, which campaigns for full independence for Scotland, and the Conservatives. Those parties would be represented in the Scottish parliament according to their voting strength rather than being penalised as they are now by the first-past-the-post system.

James Buxton

The ruling Labour party has pledged that its candidates for a Scottish parliament would be approved by a special panel. The panel would be intended to guarantee that candidates had the highest standards of competence and integrity, said Donald Dewar, the chief minister for Scotland, at the launch of Labour's campaign for a Yes vote in the referendum. Electoral districts would be free to choose their own candidates, but only from the approved list.

It is believed the panel, endorsed by Labour's national and Scottish executives, may include figures such as Baroness Smith, widow of John Smith, who preceded Tony Blair as Labour party leader.

Allegations of sleaze are overshadowing the party's campaign for a double Yes vote in the referendum. Voters in Scotland will be asked if they want a parliament and whether it should have tax raising powers.

The campaign for a double Yes vote is being supported by the Scottish National party, which campaigns for an independent Scotland. Its leader, Alex Salmond, said: "A lot of concentration has been given to undemocratic decisions taken by Westminster. For the future well-being of our nation, it is absolutely vital that we deliver a Yes Yes victory."

MP's suicide triggers widespread party investigation

Gordon McMaster

The 37-year-old Labour MP was found dead in a fume-filled car at his home late last month. The same night, another Scottish Labour MP accused unnamed party figures of wrongly accusing McMaster of having Aids. A few days later, a Scottish newspaper published what it claimed was McMaster's suicide note, in which he deplored comments about him by Tommy Graham, also a Labour MP in central Scotland

Tommy Graham

Although exonerated in a party inquiry of driving McMaster to suicide, Graham has been suspended from the parliamentary Labour party for allegedly failing to live up to the standards expected of one of its MPs. Graham said in a newspaper interview 10 days ago that McMaster had been "ill with the booze". He faces allegations that he heaped public scorn on party colleagues and worked with opponents of Labour against the party's interests. He rejects all allegations against him

Nick Brown

Chief whip in the Labour government and the senior party figure hastily sent from London to Scotland to investigate the accusations being hurled back and forth by politicians in and close to the Labour party. His conclusion: "There are serious allegations that Tommy Graham has failed to live up to the high standards expected of the parliamentary Labour party. These allegations relate to verbal attacks on colleagues unrelated to Gordon McMaster's death"

Donald Dewar

Chief minister for Scotla[illegible] in the Labour [illegible] and architect [illegible] plans to create separate parliaments in Scotland and Wales. Now left during prime minister Tony Blair's holiday with the task of preventing "sleaze" allegations from overshadowing the devolution campaign. Recent comment: "The last few days have strengthened my resolve to ensure there is no hiding place in our party for those who fail to meet the highest standards of integrity and conduct."

CONTRACTS & TENDERS

Deputy premier says public transport must be made more attractive

Dominance of cars to be eroded

By Charles Batchelor, Transport Correspondent

John Prescott, deputy prime minister, yesterday set out government transport priorities for the next 10 years. The main themes include making better use of the existing network of roads, rail lines and air and sea ports and restricting the dominance of the car.

The government wants future planning decisions on where to build new homes, hospitals and schools to take account of access to public transport. It also wants improved connections between trains, buses and other modes of transport.

It will look at ways of tightening the regulation of rail services which were fragmented when the national network was privatised, and it wants to improve the quality of bus servicas which ware deregulated outside London in the mid-1980s.

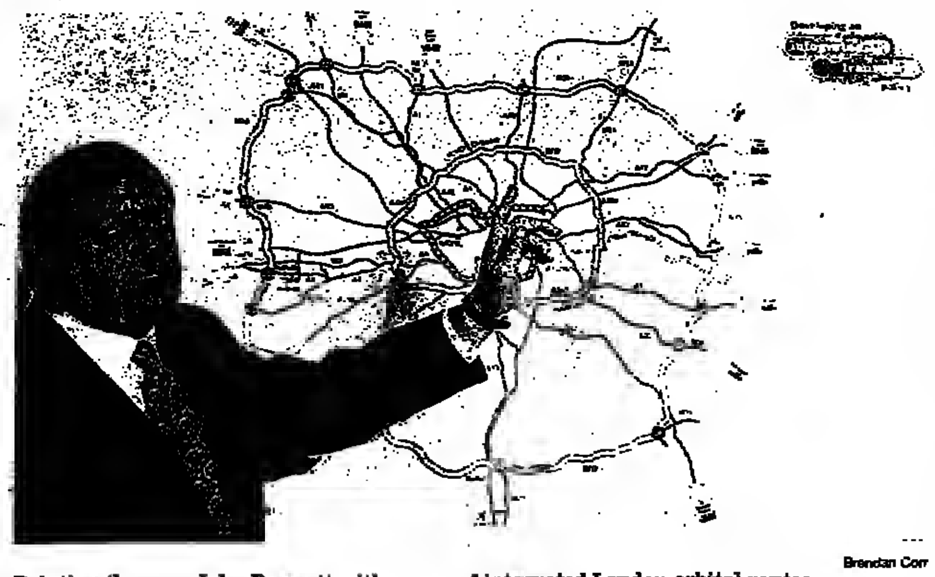
Mr Prescott played down suggestions thet he was planning an assault on the private car but he pledged that the two-car family would become a thing of the past once public transport was improved. "It is no good being tough with the motorist bnt not offering a choice," said Mr Prescott. "You have to have a public transport service which is worth using."

Mr Prescott signalled e fundamental shift in transport thinking away from the policies of the previous government which had emphasised deregulation and competition. He said he wanted a more co-operative approach between transport modes involving improved interchange stations between bus and rail and complementary timetables.

His priorities were welcomed by motoring organisations, but they stressed the need for getting proper funding for transport while the British Road Federation said spending levels must be increased. Friends of the Earth said it was disappointed more urgent action was not being taken.

Mr Prescott said he was devising a transport policy for the next 10 years – though he boped for improvements before the next election, which must be beld in less than five years.

No agreement has been reached in the government on the issue of whether it is prepared to allow fuel duty, car taxes or any charges for the use of roads to be ploughed back into infrastructure and public transport improvements.



Brendan Corr

Pointing the way: John Prescott with a map of integrated London orbital routes

Editorial comment, Page 15
Lex, Page 16

Teams block BAT Formula One plan

By Ross Tieman and John Griffiths

Efforts by BAT Industries, the world's second largest tobacco company, to invest $275m (£175m) in its own Formule Ooe racing team are being blocked by objections from some teams on the grand prix circuit.

Four teams, including the Tyrell organisation and Tom Walkinshaw's Arrows team, wbich employs grand prix reigning champion Damon Hill, have been angered thet BAT invited teoders from them to create the team but subsequently sought an outside partner.

BAT is said to have joined forces with Reynard Racing Cars, ooe of the world's biggest specialist racing car manufecturers, to promote its Lucky Strike cigarette brand at FI, despite avenues for tobacco advertising and sponsorship being closed off by governmeot regulation.

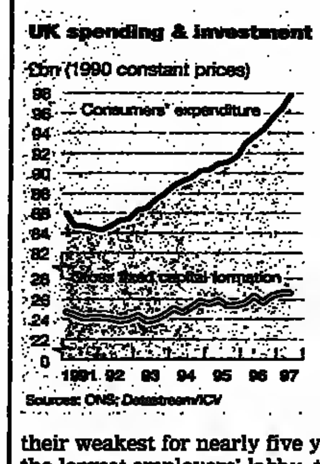
Richard West, the former marketing chief of the Williams grand prix team wbo is director of business development at Reynard, lest night refused to confirm or deny a link-up with BAT. But he ecknowledged that "Reynard bas been interested in entering F1 ... under the right circumstances."

Reynard is building a complex at Brackley in tbe English Midlands where the project is expected to be sited. The BAT deal would be particularly attractive to Reynard. Even leading teams like Williams and McLaren have difficulty obtaining similar funding levels.

No new team can enter Formula One without agreement from a majority of participating teams. BAT's F1 success will depend on whether Bernie Ecclestooe, F1's promoter and *de facto* controller, can reconcile tbe teams to tbe new entrant.

UK NEWS DIGEST

Export growth forecast is cut



The divergeoce between domestic and overseas demand for Britisb goods and services was underlined yesterday as coosumer speoding growtb hit a nine-year high while manufacturers reported a further slide in export orders. Almost half the manufacturers questioned in the Confederation of British Industry's latest monthly survey reported export order books below normal. But buoyant domestic demand kept orders stable overall. Factory export orders are at their weakest for nearly five years, prompting the CBI, the largest employers' lobby, to revise down its forecast for export growth next year from 4.9 to 3.6 per cent. The Office for Netional Statistics revised down its estimate of economic growth in the second quarter to 0.9 per cent, excluding oil and gas extraction. The annual rate of growth was 3.5 per cent, above the ecooomy's long-run trend growth rate of around 2.25 per cent.

The ONS said the speoding had grown by 1.5 per ceot in the second quarter after adjusting for inflatioo and seasonal patterns, the largest increase since the third quarter of 1988. *Robert Chote and Richard Adams, London*

■ SALE OF MILITARY HOMES

Taxpayer lost $226m, says auditor

The taxpayer lost up to £139m ($226m) from last year's controversial sale of the armed forces' married quarters, an official report discloses today.

The Conservative government ousted in May raised £1.6bn from November's sale of 57,000 married quarters to Annington Group, a consortium of financial and construction companies including Nomura, the Japanese bank. Conservative ministers went ahead with the sale knowing that the price was less than the value of retaining the properties in the public sector, the National Audit Office reveals.

The report was seized on by critics of the sale wbo had accused Michael Portillo, then defence secretary, of pursuing the deal against the interests of the taxpayer and military personnel. *David Wighton, London*

■ RECORD RETAILING

Oasis album meets expectations

Record retailers reported unprecedentedly strong demand for *Be Here Now*, the new Oasis album, after it went on sale yesterday morning. Fans began queueing outside stores the previous evening. Both HMV and Virgin, two of the country's largest record chains, predicted that *Be Here Now* would be the UK's fastest-selling album ever. The current record-holder is Michael Jackson's *Thriller* with sales of 375,000 units in its first week in 1982. The launch of the new Oasis album has been eagerly awaited by record retailers after a lacklustre start to 1997 wben record sales declined. *Alice Rawsthorn, London*

BP stays threat to Greenpeace

By Michael Peel in London

British Petroleum yesterday announced it was suspending its claim for £1.4m ($2.3m) damages from Greenpeace in spite of the environmental group's pledge to continne its campaign against the company's Atlantic Frontier operations.

BP said it would also apply for removal of the court order made on Monday which froze the bank accounts of Greenpeace UK and three of its members. But it also said it would consider legal action if Greenpeace targeted any of its oil developments in the future.

BP made the claim for damages on Monday over losses caused by the pressure group's occupation of a mobile oil rig chartered to BP'e Foinaven oil field 100km west of the Shetland Isles.

The Foineven development, which BP expects to yield 200m barrels of oil, is already a year behind schedule because faulty wellheads had to be replaced. The preproduction phase of the project has already cost $1.1bn compared with a budget of £550m ($896m).

BP said yesterday it had made the claim to allow it to carry ont its operations unimpeded by unlawful action rather than to recoup the costs of the Stena Dee occupetion. The company said it was satisfied with an assurance by Greenpeace that the pressure gronp would abide by a court order preventing it from interfering with the company's operations at Foinaven.

Row over racism claims at Ford factory deepens

By Andrew Bolger, Employment Correspondent

A bittar inter-union recruitment row over allegedly racist recruitment procedures st a Ford factory could lead to the Trades Union Congress being taken to court.

The small United Road Transport Union (Urtu) yesterday threatened to challenge in court a TUC tribunal ruling that about 300 drivers wbo joined it from the giant Transport and General Workers' Union should be encouraged to rejoin the larger union.

The drivers were unhappy over the way in which the TGWU decided to support an industrial tribunal case brought by seven black and Asian production workers at the factory who claimed they had been refused transfers to prized £30,000-a-year ($48,300) jobs as fleet lorry drivers because the selection system was biased.

Ford settled the cases in January before they went to a hearing and paid the workers several thousand pounds each for "hurt feelings". The company and the TGWU said they had jointly agreed "a selection and training procedure that fully complied with the company's equal opportunities policy".

The TGWU complained that Urtu had recruited its members at the factory in Dagenham, east London, in breech of TUC rules. The TUC tribunal ruled Urtu should make no attempt to secure recognition at Ford, and should work to persuade the drivers to return to membership of the larger union. Failing that, the tribunal said Urtu should pay the TGWU compensation of £36,000.

The ban on seeking recognition is e body blow to the small union, given that the other TUC-affiliated unions at Ford would support it. But Urtu, whicb bas 15,500 members compared with the TGWU's 896,000, will not accept defeat quietly.

David Higginbottom, Urtu's general secretary, said: "This judgment is perverse and unlawful and, unless it is reconsidered, will be challenged in the courts."

Tbe TUC ruling said it "wholly accepts" that Urtu was "not seeking to condona or support alleged racist recruitment policies". It also accepted that Urtu did not initiata contact with the Ford fleet drivers.

THE PROPERTY MARKET

A pitch for pre-letting

Norma Cohen identifies a boomlet in London office space

Pre-letting, that practice of betting on a horse before its even born, is back.

At least, pre-letting of yet-incomplete properties is returning to the City of London and, the data show, is on track to become its most vigourous since the frothy days of 1988.

In a pre-let, an occupier agrees to rent a set amount of space for e guaranteed period at a guaranteed rent, sometimes acting as lender or investor as well.

The current boomlet is in stark contrast to the late 1980s in that it is not driven simply by the absence of modern office space. According to deta from Knight Frank, property consultants, the current take-up of City office space is the highest recorded since 1990, but still below the peak levels e few years earlier.

Indeed, with rentals of City office space currently around £42.50 a sq ft – half the level of 10 years ago in real terms – it is not simply the absence of office space which is driving the market in pre-lets.

In short, consultants say, demand for pre-let premises is a reflection of the transformation of the City's financial services sector. Bolstered by foreign capital, the banks have created demand for office space which simply does not exist anywhere except in Docklands.

In recent years, foreign banks with strong balance sheets have ecquired many of the grand old names in UK merchant banking. The merchant banks have been transformed by the capital which their new perents have been able to inject and have significantly expanded their trading activities.

Trading is an activity which requires long, wide spaces resembling football pitches where participants can communicate with each-other by simply shouting. It requires ample viewing space from above where supervisors can keep a close eye on employees who ere betting the firm's capital. It also requires the installation of large floor plates which can be removed to install complex wiring to deliver the requisite information technology to each desk.

"What a trader really wants is a box the size of a football pitch with no natural light," says a partner et one leading firm, taking a cynical view of trading.

This type of space is the sort that developers simply did not want to risk building 10 years ago. "Nobody wanted to build that kind of space because they imagined there would only be three or four possible tenants who could want it," says Mr Martin Roberts, partner at Knight Frank.

Mr John Forrester, senior partner at DTZ Debenham Thorpe, says there are at least a dozen institutions seeking space of more than 200,000 sq ft in the City or around its fringes.

In recent months, several high profile deals have been announced. Merrill Lynch has pre-let the Post Office site on King Edward Street, EC1 for a new 600,000 sq ft headquarters which will not be built for three years. Banque Paribas built 350,000 sq ft at Marylebone Gate, believing in the planning stage it would only occupy 200,000 sq ft. In the event, it occupies the full premises, testifying to the pace of growth in the industry.

Goldman Sachs is understood to be seeking up to 500,000 sq ft of spece for expansion and is in talks about acquiring the site next door to its existing premises for expansion. Goldman Sachs will not comment except to say that it has not signed any agreement.

Westdeutsche Landesbank is also understood to be seeking an edditional 300,000 to 400,000 sq ft. J.P. Morgan is looking for a further 50,000 sq ft of space.

Others not yet ready to move – or those tied in by lengthy and expensive lease arrangements – are looking for ways to stretch those they already have.

Dresdner Kleinwort Benson has refurbished the third floor of its premises in Fenchurch Street to donble its existing trading space and a spokesman says the bank is seeking a further 50,000 sq ft of space for its immediate needs. "In the long term, we are going to be in the market for a new building," be concedes. "We are up to the gunwales."

"There just isn't product on the shelf for this kind of client," says Steven Newbould, director of research at Knight Frank.

The surge in demand for large premises has done littls to encourage speculative development. People remember the recession too keenly, Mr Newbould says. "While new properties are being built, they are smaller buildings."

Moreover, lenders remain reluctant to lend money to fund developments without a firm commitment from a tenant, hampering speculative development. "Nobody will epeculatively fund a 200,000 sq ft office space," he notes.

For occupiers, there are several clear benefits of preletting. The first of these, says Mr Forrester, is that the client has some say over building design and can ask that it be built to his specifications. Also, he notes, it allows City firms to stay City firms, rather than move to the relative isolation of Docklands.

Of 17 companies in the City which have relocated in recent years, 12 chose to remain while the other five only moved to the fringes. "The West End has not exhibited the same degree of locational loyalty," be says, noting that half the prelettings taken by existing West End occupiers were outside that market.

However, some consultants, point out, there are risks of pre-letting as well. Merrill Lynch, for example, has said that the staff at its Farringdon Road office, formerly the UK investment bank Smith New Court, will be staying put rather than moving to its new premises. That building had been prelet on a 25-year lease in 1988 at £42 per sq ft. Comparable rents are now £20 a sq ft.

> Trading is an activity which requires long, wide spaces where participants can communicate by simply shouting

Central London office market

Major pre-commitments, 1995 to August 1997

Address	Sq ft	Occupier	Market	Date
[illegible]	[illegible]	[illegible]	West End	1Q 1995
Milton & Shire Houses, Milton St EC2	351,000	Linklaters & Paines	City	1Q 1995
[illegible]	[illegible]	[illegible] Bank of Chicago	West End	3Q 1995
[illegible] House, 100 [illegible] Broad St EC2	351,000	Deutsche Morgan Grenfell	City	3Q 1995
[illegible]	[illegible]	[illegible]	West End	4Q 1995
[illegible] House, Gracechurch St EC3	98,000	WestDeutsche Landesbank	City	4Q 1995
[illegible]	[illegible]	[illegible]	City	[illegible]
Garrard House, Gresham St EC2	155,500	Schroders Investment Mgt	City	4Q 1996
[illegible]	[illegible]	[illegible]	City	1Q 1997
Canary Wharf E14	581,880	Citibank	Docklands	1Q 1997
[illegible]	[illegible]	BAT Industries	Midtown	2Q 1997
King Edward's Buildings, Newgate St EC1	601,000	Merrill Lynch	City	3Q 1997

Source: Knight Frank Research

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for trading on 22.08.97 | Final Prices for trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.32	12.72	13.04	1.28
0100	15.14	11.77	12.09	1.28
0130	15.14	11.77	12.09	1.28
0200	15.32	11.77	12.09	1.28
0230	15.32	11.77	12.09	1.28
0300	16.32	11.77	12.08	1.28
0330	15.14	11.77	12.09	1.28
0400	15.14	11.77	12.08	1.28
0430	15.14	11.77	12.09	1.28
0500	10.41	11.77	12.09	1.28
0530	14.74	10.10	10.10	0.00
0600	14.74	10.04	10.04	0.00
0630	15.28	10.11	10.11	0.00
0700	15.47	11.98	11.98	0.00
0730	16.48	17.50	17.82	1.28
0800	16.49	17.50	17.82	1.28
0830	17.47	17.87	18.20	1.28
0900	23.65	17.89	18.22	1.28
0930	33.65	21.61	21.95	1.28
1000	38.22	21.62	21.96	1.28
1030	54.23	21.63	21.97	1.28
1100	54.24	21.63	21.98	1.28
1130	54.17	21.65	22.00	1.28
1200	38.22	21.66	22.01	1.28
1230	33.73	21.65	22.00	1.28
1300	33.41	21.62	21.96	1.28
1330	29.47	21.59	21.92	1.28
1400	17.71	17.03	17.36	1.28
1430	17.68	16.78	17.11	1.28
1500	17.66	16.36	16.69	1.28
1530	17.64	16.36	16.68	1.28
1600	16.67	16.36	16.68	1.28
1630	16.49	16.36	16.68	1.28
1700	17.64	16.38	16.68	1.28
1730	17.63	17.87	18.19	1.28
1800	17.63	17.87	18.19	1.28
1830	17.62	17.87	18.19	1.28
1900	18.61	23.00	23.32	1.28
1930	18.61	23.00	23.32	1.28
2000	18.14	16.23	16.55	1.28
2030	16.14	16.23	16.55	1.28
2100	23.00	16.23	16.55	1.28
2130	24.03	16.23	16.55	1.28
2200	24.03	23.00	23.32	1.28
2230	17.08	23.00	23.32	1.28
2300	17.08	19.68	20.00	1.28
2330	15.28	15.58	15.91	1.28
2400	15.47	16.23	16.55	1.28

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction and sometimes major alterations until final pool prices are determined approximately twenty-four days after the day of trading. [illegible]

As psychometric tests increase in popularity, **Richard Donkin** takes one

Personality jumps out of the box

I discovered this week that I was an INFJ, or I might have been an INFP. It was such a close call. After some further investigation it turned out that I was really an INTP.

These seemingly baffling initials are all recognised shorthand for personality types that emerged from a session filling out a personality questionnaire. Some may go through their whole careers without ever encountering such ratings but the chances of doing so are decreasing with every generation as psychometric tests increase in popularity among recruiters.

Having survived 22 years and five career moves plus a few internal moves without confronting a personality test I thought it was time I put myself through one, partly out of interest and partly out of a feeling of self-indulgence.

Would the test reveal the real me as I saw myself or as others saw me? The test was provided by Recruitment and Assessment Services, the recently privatised former recruitment arm of the civil service. Over the years RAS testers have been responsible for advising on some of the most senior civil service appointments.

Rachel Frost, a principal psychologist at RAS brought along two well-known personality tests – the 16 personality factor questionnaire (16PF) and the Myers Briggs Type Indicator (MBTI). Both are among the most widely used personality tests, along with the Occupational Personality Questionnaire (OPQ) and the California Psychological Inventory (CPI). All profess to determine your particular personality traits – that is how you see yourself reacting to certain circumstances.

The 16PF, devised by Raymond Cattell and originally published in 1949, was the first to be developed for commercial use. It has some 186 questions which take about 40 minutes to complete. The questions seek agreement or otherwise to various proposals such as whether you would prefer to go to a party or read a book at home. You answer by using a tick box indicator to one of three options – either true, false or questionable. The questionable category enables the candidate to indicate that to answer true or false would depend on the circumstances.

The final 10 questions measure reasoning ability as something of an added extra since this is outside the scope of personality tests. Ms Frost chose additionally to use the Myers Briggs test just to make sure of her findings. She says that RAS no longer uses the test by itself in recruitment but it is sometimes used as a back-up to check out various findings.

She explained that normally before testing someone for a specific job she would first compile a list of traits or qualities that would be desired for the job by talking with either managers or the previous incumbents. The findings of the test are then compared with these traits and tested against statements in an interview or, for some jobs, in a work simulation exercise. A few findings in my tests – a strong leaning towards non-conformity and autonomy and a tendency to follow urges without much self-restraint, she said, might not have gone down too well in the civil service.

On the other hand, she found a lot of evidence of what she called flexible thinking which would be a help for the job I was doing. Although these tests are recognised for their validity in uncovering people's personality traits I could not help thinking that some of the descriptions seemed rather like those you would get from Gipsy Rose Lee when she reads your palm. But then the test had indicated that I was the sort of person who would make that kind of subjective observation.

The 16PF test suggested my personality was somewhere between an INFJ or INFP – both introverted intuitive types, as was the INTP type which the Myers Briggs test indicated. All the letters stand for elements of personality – I is for introversion, N stands for intuition, F is for feeling, T for thinking, P for perceiving, and J is for judging. There are eight elements. The two that did not show up in my tests were E for extraversion and S for sensing. Sensing types tend to be practical people.

It mattered little which personelity box Ms Frost read from, they all seemed to induce a warm glow of approval. The INFJs, for example, "succeed by perseverance, originality, and desire to do whatever is needed or wanted. They put their best efforts into their work and are quietly forceful, conscientious and concerned for others".

This all seemed good stuff. The INFP type, however, looked equally promising – "Full of enthusiasm and loyalties, but seldom talk of these until they know you well. They care about learning, ideas, language and independent projects of their own." But perhaps the Myers Briggs outcome of INTP was preferable. These people, it says are, "Quiet and reserved. They especially enjoy theoretical or scientific pursuits." Ms Frost said this was in fact her own type so we settled for that one. So that's what I am.

Returning home, I read the results from the 16PF feedback sheet to my wife who agreed they all just about had my personality right. Unfortunately I was reading from the wrong boxes. She disagreed with the boxes which had actually been crossed but then she's only known me 20 years.

Personality testing is an expensive option in recruitment. I have no doubt that it is useful in reassuring interviewers that they are concentrating on the traits they might be looking for. I did not try to fake the result but I feel sure that if someone wanted to do so they could produce different findings. It would probably be a waste of time to do so, however, because it would be difficult to engineer the sort of results that you might expect the recruiters to be looking for.

Testing can also provide a uniform approach where scrupulous fairness might be an issue. Whether such tests are really necessary, however, in a properly structured interview – for a top executive post for example – when certain questions could be posed to search for reactions that betray personality traits, is debatable.

It was notable that each of the 16 personality boxes stressed positive aspects of character. Not one suggested that the individual was a lazy, good-for-nothing type, yet we all know such people exist. As the Myers Briggs paper stated: "Type is not an excuse for doing or not doing anything."

Holiday hangover

The Institute of Management published the results of a survey this week that revealed the extent to which work is dominating the lives of many managers. Two thirds of the 300 respondents said they made sure their offices could contact them on holiday and two-fifths of them said they would be in touch with their office during their holiday.

Nearly a third of the managers, said the study, took work away with them packed between the towels and shorts and even more of them took mobile phones. And these are only the ones that get away. More than half the managers don't take their full holiday entitlement. A fifth of the managers said they were not encouraged to take their full break.

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BANKING FINANCE & GENERAL APPOINTMENTS

ACCOUNTANCY APPOINTMENTS

ACCOUNTANCY APPOINTMENTS

John Kay

Frontiers of fashion

The far-reaching influence of political events on economic and business life is greatly underestimated

Menton, Alpes-Maritimes. Glad you're not here; most of France seems to be, but crowded into a strip that extends no more than 100m from the sea.

Dined last night in the best restaurant in the area, which oddly enough is in Italy, less than 1km across the border. But you notice the difference as soon as you cross. It is not just that the prices are in lira, and the waiters say *buona sera*. The menu has a different structure, the wine list is quite different, and the coffee cups are half the size of those on the French border. And the clientele is different too. Indeed, that is why the best local restaurant is in Italy. Young Italian professionals will pay for Michelin-starred cooking, but French *retraitées* (pensioners) will not.

Do you remember how the coming of Europe's single market in 1992 was supposed to blur or remove all these differences? I dined in that same restaurant on December 31 1991. I had booked well in advance, relishing the symbolic gesture. We could walk back to France, careless of border formalities, citizens of the new Europe.

Sadly, it was not so. The functionaires were still there, and are still there today. On one side of the border, they wear the crisp peacock uniforms that instantly identify servants of the Italian state. On the other, bored members of the Compagnie Républicaine de Sécurité (CRS) sit in a glass booth, playing cards.

Soon, it is said, Italy will become a full participant in the Schengen agreement, and border officials will at last disappear. I suspect the wine list at Bar Benjamin will remain unchanged.

It is easy now to forget the hype which surrounded 1992 and the single market. Two out of five UK firms would be out of business as a result, Sir John Harvey-Jones warned us. Alan Sugar looked forward to putting all his European computers in the same boxes, presumably looking forward to the day, well beyond 1992, when all Europeans used the same plugs and read instruction books in the same language. Trans-European companies would become the norm. But who can remember what was said at the endless conferences held to prepare business for its new European challenge?

Just as people in business seem to veer from fad to fashion in business concepts, so they become fixated by fashionable events. In the late 1980s, that was the coming of the single market. Today the same role is played by talk of the business implications of Emu, the millennium bomb, and the internet. Those who went to a business seminar on 1992 each day in 1989 could now find one on 2000 each day in 1997. I expect the same people are going.

And they may have good reasons for doing so. Being on top of the latest fad is a certain way of gaining attention from the senior management which has espoused it. There is also a market for being an expert on a future event which is going to have a profound effect on business, especially when no one quite understands why it is going to have that effect or exactly what it will be.

Just as people in business seem to veer from fad to fashion in business concepts, so they become fixated by fashionable events

A time for reflection

How many large companies are there without at least one person who has carved a comfortable niche for him or herself as the person who knows all about 1992, Emu, the millennium bomb, or the internet?

Which is not to say that these things are of no importance. The 1992 programme did have significant effects on European business. It greatly simplified the formalities associated with selling goods across European frontiers, and made substantial progress towards removing regulatory barriers to trade between states in some sectors. But it was not, and was never likely to have been, the massive discontinuity in business experience which some suggested was in prospect.

And that is the lesson for us to ponder, as we sit on the Franco-Italian border drinking our kir, or our prosecco, depending on which side of the border we sit. We are inclined greatly to exaggerate the short-run influence of political events on economic and business life, and greatly to underestimate the long-run influence of political events on economic and business life. That Franco-Italian border illustrates the issue well.

The difference between France and Italy remains very visible, whatever happens at the frontier. It is a difference which affects business life in many ways. But it is a difference which is gradually being eroded. After all, that frontier is a very artificial one. It was drawn in 1860. Its position was part of a political deal between Piedmont and France in which the latter gained territory in return for support of the former's Austrian war, and the line might more logically have been set 50 miles to the west.

The border was drawn through a group of people for whom Paris and Rome were equally far away and equally irrelevant to their lives; and if someone from either city had arrived among them, the local population would not have understood what they were saying.

But today, everyone on one side of that arbitrary line speaks French and everyone on the other Italian. Within a few decades, reinforced by different education systems, different fiscal systems, one finding its dominant social and economic influences to the east, the other to the west, the two sides of the border acquired characters as distinct as those we see today – and characters that will outlast changes in these fiscal systems and economic influences.

In understanding how the process of economic integration does take place, there is enough to reflect on to justify a second glass of kir or prosecco.

The author is a director of London Economics and director of the School of Management Studies of Oxford University. This column appears fortnightly.

Order out of chaos

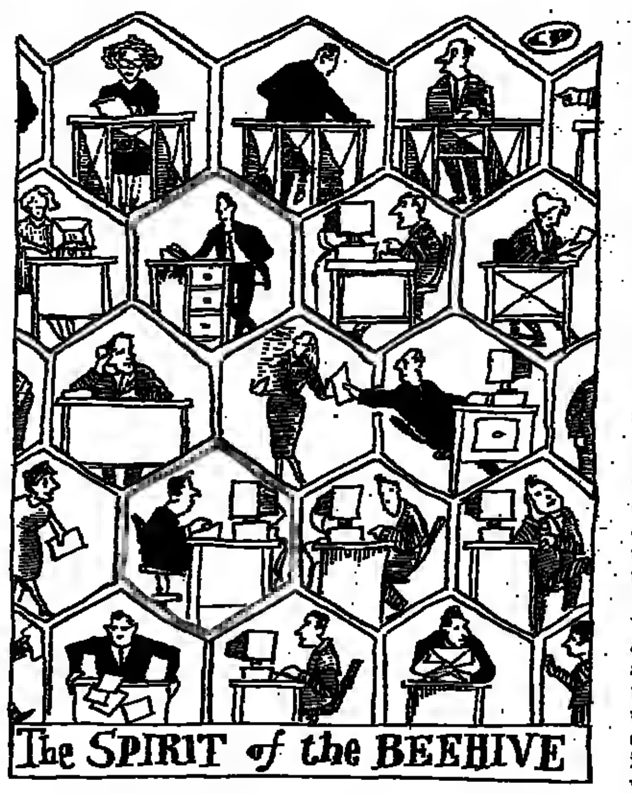
Victoria Griffith looks at complexity theories

Five people set out to wash a pile of dishes. They could organise the task in a number of ways: with all of them fighting to get at the sink together or with each waiting a turn to do their fair share. The chances are that they will divide the work into tasks.

The group has self-organised, and it is from this sort of example that a growing number of executives are deriving inspiration for a new management philosophy that has been called "self-organisation and complex systems" or more concisely, "complexity theory".

Followers of complexity theory gathered in Cambridge, Massachusetts, this month to flesh out new applications for the philosophy, including ways in which companies could adopt its ideas.

The movement alludes to Adam Smith's invisible hand theory, which asserts that individuals working selfishly to improve their own lives act as a positive economic force for the larger community. But the bones of complexity theory itself were outlined by Stuart Kauffman, a scientist who argued in his 1995 book *At Home in the Universe* that biological organisms organise themselves in an elegant, ordered manner, like a honeycomb, for example. This is true, he asserts, of even the most complex systems.



The basic premises of the theory are fairly simple: Decision-making units called "agents" – which include everything from a factory worker deciding which piece to fit on first to a bumblebee deciding which flower to land on – interact with other agents to trigger unpredictable consequences.

So how do complexity followers reconcile such unpredictability to their sense of order? According to Mr Kauffman, organisms exist at the edge of chaos, finding order, but in a haphazard way.

In fact, complexity followers also embrace chaos theory, a mathematical theory that asserted that a seemingly insignificant occurrence, such as a butterfly flapping its wings, could trigger a sequence of events that lead to an earthquake on the other side of the world.

The upshot of all this in the corporate world is that the company machinery is in the hands, not of senior executives, but of lower-tier workers. Complexity theory, therefore, makes the task of management both simpler and more difficult.

On the one hand, it implies that employees can largely be trusted to accomplish tasks in an ordered fashion. On the other hand, any management intervention must be carefully thought out. Since corporations, like organisms, are often resistant to change it may be close to impossible to get workers to move in the direction senior executives want. Yet, according to the chaos theory portion of the philosophy, the smallest interference might lead to wild, unpredictable changes.

The trick, according to complexity theorists, is to look for the appropriate "sensitive points": small interventions that will trigger substantial, positive change. Complexity advocate Chris Meyer, director of the Ernst & Young Centre for Business Innovation, points to the success of the "zero tolerance" policy introduced by William Bratton, former police commissioner of New York, in the mid-1990s.

Instead of large-scale solutions like hiring more policemen, Mr Bratton concentrated on small but important tasks. "He tried to change the way the system worked in subtle ways," says Meyer. "And that's how he brought down the crime rate."

Complexity theory fits in well with fashionable management trends. The move by many companies to flatter, less hierarchical organisations, for instance, acknowledges the power of the lower-tier workers to instigate change. Opening up the lines of communication between upper-level executives and their employees is also in line with the theory.

Like other management theorists, complexity advocates find themselves grappling with the definition of a chief executive's role. Ralph Stacey, a professor at the University of Hertfordshire, UK, and a complexity follower, believes executives should think of themselves as leaders of a group therapy session. "They try to guide, but not dominate, by eliciting responses from different members of the group," he explains.

The philosophy is also being applied to business in unexpected ways. Bell Canada, the telecommunications company for instance, concluded that since individual workers were making decisions for the entire organisation, they should be given some understanding of their impact.

Bell Canada has tried to do this by inviting low-level employees to participate in computer simulation games that reveal the impact of certain actions on the business.

Some corporations have used complexity theory to argue that machines, as well as workers, should be treated as decision-making units. Deere & Co, the agriculture equipment group, for instance, gave its computers what might have once been part of the managerial or administrative role, enabling them to set a manufacturing schedule to avoid bottlenecks in the system. "By allowing the system to make decisions, we increased efficiency at the company," says Bill Fulkerson, who championed the computer program at the company.

While complexity theory is attracting a growing number of believers, others doubt its suitability in companies.

Stephen Jay Gould, a science professor at Harvard University, questions the wisdom of applying biological theory to economics at all. "Inheritance, for instance, is a factor in economics. But in the biological world, animals and bacteria don't pass on wealth to the next generation," says Prof Gould. Such examples, he argues, should prevent managers from taking complexity theory too seriously as a guide for running their businesses.

IT Appointments

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Director with a playful touch

Martin Hoyle talks to Jonathan Miller about his forthcoming opera series on BBC2

Jonathan Miller is much possessed by death. Not in his everyday life, you understand, but in his work. He is rather good at portraying it on stage.

In his new television series for BBC 2, *Jonathan Miller's Opera Works*, one of the six programmes is devoted to the operatic death scene, epitomised by the ending of *La bohème*. He scrupulously avoids the long haul to which the expiring Mimi is usually subjected, clutched and hugged by her tearful tenor as she lies doubtless uncomfortably in what Lady Bracknell would disapprovingly call a semi-recumbent posture on her sickbed.

In Miller's version she dies almost fiercely alone on a stage where each character is occupied with his own embarrassment or grief, the final giving-out of her dwindling vocal thread saluted by the orchestra but noticed only by a minor character, who mutters the news to another. All oddly reminiscent of the loaded reticence, the casual throwaway grenade of *The Seagull's* last line – "Get the women away from here: Constantin has shot himself".

Chekhov is not an obvious point of comparison with *verismo* opera: but, as the young conductor Charles Hazlewood, Miller's collaborator on tha series, points out, it's all in the score. It prompts the director to a characteristic snort of derision. "People grossly underestimate the tact of Puccini. They call him an operatic vulgarian – erotic, sad, *cinematic*. There's a concealed snobbery in the hierarchy of the arts. The cinema's the very lowest because it's popular. So if Puccini is cinematic – which he is – it's an absurd Oxbridge snobbery to assume he must be vulgar, not like Mozart or Monteverdi. He is very often produced in a vulgar way. His reticence is not brought out."

Italian opera reticent? Miller's approach specialises in throwing out the playful *obiter dicta* only to reveal the tongue less in cheek than stuck firmly out at preconceptions. Each programme deals with an aspect of opera that beginners might find off-putting or need explaining: the ensemble, the aria, the duet, the chorus, and dialogue and recitative.

The TV director is not an arts man but Patrick Uden, who worked on *The Body in Question* and whose ontput inclndes works on encephalitis and Parkinson's disease. Whose idea was it? Miller is vague. "It just grew. We thought it might be a good idea to do something informal and easy-going to show how opera gets off the ground. Very few people know what directors do. Backstage you get grand visitors and some palsce attendant says 'I suppose you have to be here every night?' – behind the scenery, surreptitiously beckoning people across the stage, being a traffic cop." Miller leaps to his feet semaphoring earnestly, reminding one of his performing talents. His demonstration of drunkenness to the gardener Antonio in *Figaro* (the first programme to go out, devoted to ensemble) prompts the inevitable question sbout returning to acting. "I get my perfect kicks by directing," he smiles, but takes e sideswipe at the critics: "these dry sticks explaining humour to me. I've done it. I'm a veteran of the business."

The very real sense of grievance Miller feels at what he considers critical malice contrasts with the sense of fun he generates in rehearsal. The new series deals with snippets, arias or whole scenes from various operas; the young singers from the Royal Northern College of Music are stiffened with a brace or so of young professionals. The setting is the crumbling splendour of the gutted top floor of Whiteleys, the west London department store since turned into a shopping centre. "Of course people say 'that hugger Miller, he'll work with youngsters because he can boss them around'. No, I like playfulness, willingness to muck around. Most of my rehearsals are very sloppy and unstructured."

The director who has worked for 11 years at Florence's Maggio Musicale, 10 at Glimmerglass, is on his fourth prodnction at Zurich and second at the Vienna Staatsoper, compares his work with his grand-daughter's playgroup. "People say I'm treating singers like children. I'm delighted to be allowed to be a child. Without playing, children could never be adult. Playfulness is whet rehearsals *should* be about."

Playfulness that leads to solemn truths. Like over-excited children the young performers can get canght up by a recurring joke, a dangerous phrase or situation that sets them gigging. "We lost the *Bohème* death scene for an hour," says the conductor Hazlewood philosophically, through the company's repressed hysteria at Musetta's proffered gift of a muff to Mimi.

All very childish, all possibly liberating. As Miller points oot with gloomy relish, his workload includes a new *Traviata* for the Bastille, *Falstaff* in Berlin, an unspecified Rossini for Pesaro, *Zauberflöte* for Santa Fe, and the Met taking on the *Figaro* be did with Abbado in Vienna and *The Rake's Progress* at the Met with Hadley, Upshsw and Ramey. Some playgronp, some kids.

The Bohemian garret calms down. Mimi dies in the terrible isolation of a crowded room. The camera pans to the other members of the company watching. Two girls are weeping; Miller clutches his head in his bands. They sniff and smile sheepishly at one another. "Silly!" says Miller gently; and the plsygroup blows its nose.

Jonathan Miller's Opera Works on BBC2 starts on September 1.

Theatre/**Alastair Macaulay**

Shaw at his creakiest

So what if acting is Natalia Makarova's second career? So what if English is her third language? And so what if you can only understand two out of every three words she says? She is so engaging a star that – now that her dancing days are over – one wishes more plays could be found, or written, to show her off. Those who have only seen her in the Rodgers-Hart musical *On Your Toes*, in the old romantic comedy *Tovarich*, and now in Bernard Shaw's *Misalliance*, have felt something of her glamour, her impishness, her flair, her impulsiveness – bnt have no notion of her great stature as a tragédienne. Perhaps they never will; Makarove's voice, though handsome, is not strong – whereas radiant grandeur was a basic fact of her dancing.

Still, *Misalliance* – one of Bernard Shaw's creakiest plays – is a high price to pay for Makarova. She arrives as an aviator, and spends the whole play in boots and trousers. Her role, though she has the last curtain-call and at least three dramatic entrances, is by no means the largest or most important. Joss Ackland and Tony Britton do marvellous work, as does Sheila Reid.

But, even for these fine veterans, *Misalliance* is uphill work most of the way. At several points, Shaw tries to make e joke or even a serious dramatic point out of his play's main problem – that everybody just talks, talks, talks – but that doesn't save the play. Randall Jarrell once wrote: "People say that conversation is e dying art. How often I have wished that it were!" But the conversations in *Misalliance* are interminable. I love Shaw: but not here.

The play is largely about what, in the 1960s, used to be called the generation gap. It also needs also far stronger casting in its juvenile roles than it here receives. Stephen Simms is not the physically powerful who's-for-tennis type that young Johnny is meant to be; Peter Stead exaggerates the already irritating clever squittishness of young Bentley; Harriet Wootliff overplays the doe-eyed affectations of young Hypatia, while not making her frustration interesting or appealing. Christopher James, when he turns up in aviator's kit as young Joey, is a breath of fresh air, but soon turns into mere theatrical gloss. None of them can transcend the archness that is Shaw's characteristic way of writing for young people.

Perhaps the most beautiful performance is Britton's. He is always an elegant actor, but he is best when he can also show pathos and melancholy: which, as Lord Summerhays, he very touchingly does. He shows what *it is* to be at once drawn and repelled by the brightness of youth: the touches of hesitance and defeatism he introduces are haunting. Ackland, in the far more robust role of John Tarleton, learns defeat and makes this poignant. His final rage with his daughter is the most impressive moment in the production. Sheila Reid's account of his tender, sensible wife is perfectly judged, but not quite lit up from within. However, the charm of her final scene with Julius Baker is highly affecting.

Julius Baker (played by Jonathan Moore), by the way, is an orphaned clerk who turns up, eavesdrops on one crucial conversation, only to pop up and wield a gun for minutes on end st Tarleton's head. Joey is an aviator who happens to crash his 'plane into the Tarleton's conservatory et the end of Act One. Makarova plays his surprise passenger, the Polish acrobat Szczepanowska, to whom, of course, most of the male characters propose marriage or adultery within an hour of meeting her. It is, alas, that kind of play.

If you are going to produce such tosh, you had better try making us believe in it. Frank Hauser, directing, does not. As the aeroplane epproecbes, its sound overhead almost drowns all conversation. Nonetheless, poor Ackland and Britton gamely talk on. Finally, cries offstage call "Oh, look, an aeroplane!" (We could have told them.) And, eventually, Ackland and Britton have to look at each other and say, through the aeroplane's now almost deafening racket, "Did they say an aeroplane?" As I say, it is that kind of play.

Minerva Theatre, Chichester, to September 6. Then touring.

Natalia Makarova in Shaw's 'Misalliance' Nigel Norrington

Edinburgh

The Perrier short-list

This may not be s vintage year for comedy on the Edinburgh Fringe but the Perrier judges beve chosen a wide shortlist, and one without a stand-up. The winner, to be announced on Saturday night, may only receive £5,000 in cash, but is certain to multiply that many times over in profitable bookings and TV deals.

Coutenders this year are Al Murray (appearing et the Pleasance), who narrowly missed out in 1996. His pub landlord returns and "locks in" the audience for an hour of prejudice and passion. He has added a useful prop – a dog. Murray must be a favourite, along with The League of Gentlemen (also at the Pleasance), three seemingly Oxbridge types who reveal very dark, not to say disturbing, humour. There is also interest in a newcomer Johnny Vegas (Gilded Balloon), who combines a first half of invective, with a second half of more relaxing potting. He was a potter before taking up comedy and is big in Manchester.

Also nominated are last year's best newcomer Milton Jones (Pleasance), who assumes characters like arctic explorers for laughs, and Graham Norton (Assembly Rooms), who lets on why he's glad to be gay. He has placed a personal ad in a gay contacts magazine asking callers to ring him betweenm 11 and midnight, the time he is on stage.

Antony Thorncroft

Why Salzburg still calls the tune

Don't go to Salzburg for the weather: the first two weeks of this summer's festival were e downpour. Nor for the food, Aix being a far better bet. And if it's festive atmosphere and an inviting hinterland you're after, Edinburgh is the place to be. To put up with the crowds in Salzburg, and the very ordinary hotels, you have to want to hear the music.

Opera swallows most of the money and causes the scandals. Spoken theatre has raised its profile through Peter Stein's involvement, but the most interesting shows this summer – a Stein production of Grillparzer's *Libussa* and the Royal National Theatre's *Othello* – have been shunted off to a converted salt factory at Hallein, a 30-minute bus ride from Salzburg; and Stein, having fallen out with Gérard Mortier, has not renewed his contract as drama director.

At first glance the concert programme is not much different to any other high-profile festival. Some of the orchestras and soloists are the same, and there's a lot of anniversary Schubert. Closer inspection, however, reveals that Salzburg has the edge when it come to quality. No other festival can boast the Vienna Philharmonic as resident orchestra: its 11 o'clock concerts in the Grosses Festspielhaus are a Salzburg tradition, the dress code much the same as for church. Gidon Kremer and Steven Isserlis have had their own chamber music series, and the recital programme includes Brendel, Pollini, Hampson, Norman. Where big-name conductors and soloists are concerned, Salzburg still calls the tune.

If Nikolaus Harnoncourt had not parted company with the festival last year, the Schnbert anniversary would have been his. No one will easily forget his Beethoven symphonies or *Missa Solemnis* in the early 1990s. The significance of those concerts lay not just in the way he got the Chamber Orchestra of Europe to follow his wishes to the letter – something he would never have managed with the Vienna Philharmonic – but in the fresh vision he presented of Beethoven the revolutionary.

This year there was e choice: big-boned Schubert in the Grosses Festspielhaus with the Vienna Philharmonic, conducted by Riccardo Muti and Sir Roger Norrington, or a close encounter in the Mozarteum with the COE under Claudio Abbado. My instincts were to wish Harnoncourt was back – bnt Schubert demands different interpretative skills to Beethoven. And the concert I beard – the last in a cycle of all the symphonies – bore this out. Where Harnoncourt is all storm and stress, Abbado takes a more lyrical view. There is less hammering, more emphasis on line, melody and architecture – a definite plus in the awkward long-winded movements. There may be fewer surprises, but the result is more beautiful.

That was certainly true of the "Unfinished". Thanks to peerless contributions from the COE woodwinds, the performance had a hushed *lamentoso* spirit. The Ninth was dramatically cogent, each movement hanging fire in the early pages before developing into a beadlong crescendo. In the smaller Mozarteum, the symphonies came across as an enlarged form of house music – just as they were conceived.

A more intimate form of house music was to be heard in the first Isserlis programme, on the theme of Mendelssohn's friendships. The problem with the thematic approach is that there is a temptation to include inferior music; some of Isserlis's selection was simply not worth hearing, however devoted the performances may have been. But Stephen Hough brought a velvet touch to his selection from *Songs without Words*, and the Costa Rican soprano Iride Martinez proved a major discovery in Lieder by Mendelssohn and his sister Fanny, bringing an artless radiance to Fanny's "Das Heimweh" and "Die Nonne". Then came the 16-year-old Mendelssohn's Octet, led by Joshua Bell – too breathless for my taste, hut with the flying sparks one expects when an *ad hoc* group of soloists make music together.

Jessye Norman's Brahms recital in the Grosses Festspielhaus sent her Salzburg fan club to sleep, and it was only in the Strauss encores that she and they woke up. The next morning found the Oslo Philharmonic in the Felsenreitschule, seated in the deserted circus-set of Achim Freyer's *Magic Flute* and battling against a dead acoustic. Undaunted, Mariss Jansons conducted Bartók's *Music for strings, percussion and celesto* with classical flair; in Dvořák's *New World* symphony, he peeled away layers of familiarity. The performances had been scrupulously prepared, hut – true to the Jansons/Oslo tradition – they sounded breezily spontaneous.

But even they could not rival the visionary quality of Bernard Haitink's Mahler 9 with the Vienna Philharmonic. To its elastic shape and manic swings of mood Haitink brought structure and sense. And to every note the Philharmonic brought unshaking conviction, free of vulgar virtuosity. Performances such as this are rare – hut that's wbat makes the journey to Salzburg worthwhile.

Andrew Clark

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Jiří Bělohlávěk in works by Brahms and Dvorák. With violin soloist Viktor Tretjakow; Aug 22, 23

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the designer Robin Linklater and the choreographer Lucy Graham. With the Drottningholm Theatre Ballet and Orchestra; Aug 24

■ EDINBURGH

Edinburgh International Festival
Tel: 44-131-473 2000
DANCE
● San Francisco Ballet: programme of works by Balanchine, and Helgi Tomasson's *Sonata*, set to music by Rachmaninov; with the Royal Scottish National Orchestra, conducted by Emil de Cou; at the Edinburgh Playhouse; Aug 23
● San Francisco Ballet: second programme opens with *Drink To Me Only With Thine Eyes* by Mark Morris to music by Virgil Thomson, followed by *The Dance House* by David Bintley, to music to Shostakovich and *Criss-Cross* by Helgi Tomasson to music by Scarlatti and Schoenberg; with the Scottish Chamber Orchestra conducted by Emil de Cou; at the Edinburgh Playhouse; Aug 22

OPERA
Ariadne auf Naxos: by Richard Strauss. This Scottish Opera production, directed by Martin Duncan and conducted by Richard Armstrong, provides an unusual opportunity to see the opera in the context originally conceived for it: as an operatic divertissement, to be performed in a version of Molière's play *Le Bourgeois Gentilhomme*. The play is performed in English in e translation by Jeremy Sams; at the Edinburgh Festival Theatre; Aug 22

■ FORT WORTH

EXHIBITIONS
Kimbell Art Museum
Tel: 1-817-332 8451
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Rivieras in the 1880s, to Venice in 1908; to Sep 7

■ GLASGOW

EXHIBITIONS
McLellan Galleries
Tel: 44-141-331 1854
The Birth of Impressionism: more than 150 works including paintings by Monet, Sisley and Pisarro are presented here in relation to the work that went before them. The eix galleries tell the story of Impressionism's reception by the French artistic establishment as well as suggesting the influence of photography, railways and Parisian cafe society on the new painting; to Sep 7

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Philharmonic: in works by Sibelius, Tchaikovsky and Grieg – whose Piano Concerto in A minor is played by Leeds Piano Competition winner Ilya Itin. UK premiere of Old Russian Circus Music by Russian composer Rodion Shchedrin. Conducted by Vassily Sinaisky; Aug 23
● Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Schubert, Beethoven, Mozart and Hindemith. With soprano Amanda Roocroft and pianist Malcolm Martineau; Aug 22

■ LUCERNE

International Festival of Music
Tel: 41-41-210 3080
CONCERTS
● András Schiff: Yuuko Shiokawa and Miklós Perényi perform Schubert'e Trio in E major for piano, violin and cello; at the Union; Aug 22
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 24
● Ensemble Musica Mensurata: conducted by Wielfried Staufenbiel in a programme of early and Renaissance music; at the Union; Aug 22
● Nederlands Blazers Ensemble: conducted by Reinbert de Leeuw in works by Rihm and Stravinsky; with pianist Peter Donohoe; at the Lukaskirche; Aug 23
● Warschauer Nationalphilharmonie: conducted by Kazimierz Kord in works by Chopin and Rimsky-Korsakow; with piano soloist Bruno Leonardo Gelber; at the von Moos-Stahl-Halle; Aug 22
● Warschauer Nationalphilharmonie: conducted by Kazimierz Kord in works by Dvorák and Tchaikovsky; with violin soloist Shlomo Mintz; at the von Moos-Stahl-Halle; Aug 23

OPERA
Jakob Lenz (1977/78): by W. Rihm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kuhn in a staging by Reto Nickler; at the Luzerner Theater; Aug 23

■ SALZBURG

OPERA
Salzburg Festival
Tel: 43-662-844501
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 22
● Pelléas et Mélisande: by Debussy. New production conducted by Sylvain Cambreling and directed by Robert Wilson, with a cast including Dawn Upshaw. With the Philharmonia Orchestra and tha Konzertvereinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 23
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 22

THEATRE
Othello: by Shakespeare. New production by London'e Royal National Theatre, directed by Sam Mendes; Aug 22, 23

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley; Aug 22

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
NDR-Sinfonieorchester: conducted by Günter Wand in works by Schubert and Brahms; at the Schloss, Kiel; Aug 23, 24

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Coping with a power cut

David Owen says France is starting to question its reliance on nuclear power

In a plant-festooned greenhouse in the southern French town of Pierrelatte, more than 300 Nile crocodiles laze contentedly under bright blue skies. Their presence, which depends on hot water created as a by-product of uranium enrichment at nearby Tricastin, provides a striking example of how deeply the country's extensive nuclear power industry has penetrated corners of French life.

Many countries shied away from or slowed down nuclear power development in the wake of the Three Mile Island and Chernobyl accidents. But resource-poor France has maintained its commitment, investing heavily in nuclear capacity to reduce its dependence on oil. More than 50 nuclear reactors, from Gravelines in the north to Golfech in the south, account for about three-quarters of the country's electricity production. Industry insiders put the country's overall nuclear investment at a massive FFr1,000bn (£100.4bn).

Site of controversy: Cogéma's plant at La Hague Reuters

In the process, the industry, which employs about 100,000 people, has become a symbol not just of France's formidable engineering prowess but of its desire to defy the unpredictable twists and turns of a free market that much of the country's elite still regards with suspicion.

This year, however, the sector has been buffeted by bad news, triggering robust questioning of some aspects of the country's nuclear policy. This has been interpreted as a sign that public misgivings about the industry are starting to surface. According to Mycle Schneider, director of the World Information Service on Energy-Paris and an energy consultancy: "The so-called nuclear consensus in France has always been a complete myth. It was a party political consensus, it was never a citizens' consensus."

This year's bad news for the industry has come in three parts:

● In January, a contentious report was published in the British Medical Journal suggesting that children who regularly visited beaches near Cogéma's nuclear reprocessing complex at La Hague, near Cherbourg in northern France – or ate local fish and shellfish – were more likely to develop leukaemia than those who did not.

This unleashed a vituperative polemic from supporters and critics of the plant. Jean-Marie Gelas, Cogéma's medical co-ordinator, branded the report "falsely alarmist" and said it established "no correlation between this excess of leukaemia and the existence of the La Hague plant". Greenpeace, the environmental organisation, has claimed that discharges from the Cogéma "plutonium company" are 17m times more radioactive than normal sea water.

By contrast Patrick Ledermann, managing director of the La Hague site, claimed you get as much exposure to radioactivity on a transatlantic flight as living near the site for a year and eating local produce.

● Early June witnessed the left's general election victory and the appointment of a Green – Dominique Voynet – as environment minister in Lionel Jospin's government. Her party believes France should withdraw from nuclear power in the long term, stop building power stations and develop alternative power sources.

Ms Voynet recently told the Senate that while the new government had not called into question the country's past energy choices, it was her responsibility to give France "the means to think more openly about its energy future, particularly in the areas of energy savings, renewable forms of energy and energy diversification".

● Also in June, Mr Jospin announced that the controversial Superphénix fast reactor, which reached full power six months after the Chernobyl accident, was to shut down, in line with a Socialist manifesto commitment. "Though the nuclear industry is an important asset for our country, it cannot be exempted from the rules of democracy, nor pursue projects which are excessively costly and have very uncertain prospects of success," the prime minister said.

Dismissed by critics as vastly expensive and dangerous, Superphénix was an obvious pawn to be sacrificed, particularly since there seems to be no reason why its closure should have an effect on the rest of the industry. Nevertheless, the shutdown of the largest fast-breeder reactor capable, in theory, of making enough plutonium to supply its own fuel, will come as a heavy symbolic blow. Jean Syrota, Cogéma's chairman, said: "It is never good for an industrialist to know a decision has been taken for non-industrial reasons."

It is hard as yet to assess how serious a setback for the industry this year's developments will prove. But it is already clear that it is likely to have to fight much harder – at least for a period – to get its message across.

The establishment of grass-roots organisations, such as Mères en Colère (Angry mothers), a local Cherbourg group set up in the wake of the British Medical Journal report, suggests anxiety about nuclear power is spreading beyond the dedicated anti-nuclear and environmental movements to the population at large.

Yet France, still seems a long way from spawning a movement powerful enough to put the government under pressure to abandon nuclear power altogether. Not even the Mères want the La Hague reprocessing plant to be shut down.

Although the annual nuclear "barometer" of public attitudes commissioned by the industry regularly finds that a large majority of the population is against new nuclear power stations, they also favour keeping existing ones: a state of affairs the industry can live with until the present generation of plants needs replacing, from about 2010-2015 onwards.

The immediate question is whether the environmental movement will be content to rest on its laurels following the decision to scrap Superphénix.

The vigour with which Greenpeace has continued its attacks on La Hague – widely seen as next in the firing line – suggests it will try to go further.

But whereas Superphénix was on the periphery of the industry, La Hague is central: it handles used fuel from every nuclear power station in France. Any threat to its future would have serious ramifications for the entire nuclear sector. So stout resistance from France's powerful nuclear lobby is expected.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Cost of Greenpeace's disruption a fraction of loss to UK economy

From Mr Derek Marnoch.

Sir, The cost of Greenpeace's abortive efforts to delay BP's use of a drilling rig for seven days on the West of Shetland development has been quantified as $2.22m. This is a staggering amount even in these days of the National Lottery.

But it will pale into insignificance in terms of losses to the UK economy and, more locally, to the Aberdeen economy if companies pioneering exploration and development on the Atlantic frontier decide to take their operations elsewhere. There is no possibility of reducing the overall level of activity. Development will simply move elsewhere.

No one disputes the concerns we all have over the environment and the same companies which are under attack spend vast sums on research and development to produce cleaner fuels and safer environments. However, fully renewable energy sources are not yet with us and it seems pointless for the UK to volunteer to sit in the dark or suffer a three-day week until such time as an acceptable alternative is available.

At present, and for the foreseeable future, the UK economy is dependent on us having our own energy supplies. We cannot afford to send ourselves into the economic wilderness as an example to the rest of the world, where there are many more less environmentally friendly targets for Greenpeace to address.

Aberdeen Chamber of Commerce is probably best placed to take an objective view of these issues. We have witnessed the effect on our local economy when the oil price collapsed in 1986 and severely reduced exploration activity. The fact that our level of unemployment is virtually negligible and that over 30,000 visitors are expected at the Offshore Europe exhibition next month are a direct consequence of the success and technological advances the oil industry has brought to the area. On a national basis, our quality of life at present depends on being self-sufficient in oil.

The best practices developed in the North Sea, and now West of Shetland, will have a much greater impact on protecting the global environment than moving the equipment, expertise, employment and prosperity to less sophisticated regimes elsewhere in the world.

Derek Marnoch,
chief executive,
Aberdeen Chamber of Commerce,
27 Albyn Place,
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Millennium bomb is being treated seriously

From Mr John Battle.

Sir, Alan Cane writes that, according to the Health and Safety Executive, the millennium bomb represents a "significant threat to public safety" (August 20). This implies that the UK government is not aware of the seriousness of the millennium problem. I feel I should set the record straight.

In July, I met with the information technology industry and Robin Guenier, chief executive of Taskforce 2000, to discuss how the department of trade and industry can further increase awareness and help industry cope with its millennium problems. I also raised the issue during a debate on the Information Society on July 11 and again at a Computer Software and Services Association lunch on July 24.

I remain particularly concerned with embedded systems and have instructed DTI officials to continue liaising with the Health and Safety Executive other departments and professional organisations on the safety implications in all areas of industry. I am pleased to see this positive step from the HSE.

In the public sector, all departments have been asked to produce plans by October and to ensure that their systems are modified and tested by December 1998, subject, where appropriate, to a final check of end-of-year financial systems by April 1999.

I welcome the recent progress in raising awareness of the problem and note that the UK is further advanced than many countries. If we all pull together, I am confident that we can sort out the problem.

John Battle,
minister for science, energy and industry,
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Risk to companies from pricing in sterling

From Mr Michael Pearce.

Sir, It is unfortunate that the topic of foreign exchange risk provokes comment and coverage only during, and immediately after, a bout of volatility – by which time it is too late to take any action.

Richard Adams, in his article "When a hedge is not a gardener's problem" (August 18), sustains a damaging myth by suggesting that a UK exporter can reduce his currency risk by contracting in sterling and passing the risk to the customer.

By pricing in sterling a company converts an identifiable and manageable foreign exchange risk into an unidentifiable and unmanageable commercial risk. Even forgetting any lost sales, how will the company know what sales it has not made as a result of its chauvinistic pricing?

The currency of a product or service price is a large part of the marketing mix. Keeping the accountants happy at the expense of the business is short-sighted in the extreme.

Michael Pearce,
Managing Director,
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Squaring up to problem of quality circle

From Mr Gordon H. Walker.

Sir, The rise and fall of quality circles does indeed make an interesting study of the life cycle of management techniques ("Ammunition for fighting the fad", August 15).

Their apparent loss of popularity may be due to the fact that many businesses saw quality circles as offering instant solutions to quality problems without the need for more fundamental changes, whereas these problems were often systemic and not capable of resolution at workforce level. It took time and harsh reality for this to show.

There is nothing wrong with the quality circle concept itself. Some western businesses still use it successfully and have notched up some excellent and measurable results. However, it works only where it can be gradually absorbed into the culture of an organisation, taking care over the training required and the workings of the concept.

There are many management techniques available to help the development of a business. These are tools, and like any tools they must be used in the right way, by people who have been taught their existence and how to use them, and kept sharpened and maintained for use.

Above all, they must be appropriately selected for the particular job they have to do. After all, there is no point in criticising a scalpel because it has failed to do the job of a hammer.

The "current management practices" referred to often mean flying by the seat of the pants, with all the consequent management fire-fighting and waste of resources. If more of the improvement techniques available were put to more frequent use in a more structured and determined way by better-trained managers, we should hear less talk of fads – and perhaps have less need for downsizing.

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Leslie Crawford on the man trying to save Washington DC

The capital controller

Andrew Brimmer can have few illusions about the magnitude of his task. A month after taking full charge of Washington DC's administration, the 70-year-old economist who was the first black member of the Federal Reserve Board, has the backing of Congress for a rescue plan. But he has only begun cleaning out the Augean stables of what is, in some ways, the world's most powerful city.

Mr Brimmer had not long been in charge of Washington DC's financial control board, mandated by Congress two years ago to rescue the near bankrupt US capital, when he faced his first emergency. On a bitterly cold Thanksgiving weekend, a private contractor who ran a district nursing home walked out, bills unpaid, leaving 243 elderly people without care, medicines or food.

Such emergencies, which have been frequent over the past two years, have not been Mr Brimmer's only problem: his efforts to balance the books have often led to clashes with Marion Barry, now serving his fourth term as mayor in spite of a conviction for cocaine abuse.

Earlier this month, the struggle between the two men was resolved in Mr Brimmer's favour. Congress approved a financial rescue plan for the district including nearly $1bn in federal aid – and stripped the mayor of most of his powers.

Such drastic action was prompted by the seriousness of Washington's plight. When the financial control board took over in 1995, phones at police precincts were being cut off because of unpaid bills. The DC General Hospital was in a precarious financial position. Fire engines had fallen into disrepair. District schools were declared fire traps and ordered to be closed.

"Once or twice a month," Mr Brimmer says, "I had to approve emergency contracts to ensure the continuation of vital services."

Power struggle: Brimmer (left) with Mr and Mrs Barry AP

Some of the problems are unique to Washington. The district, which has lost one-tenth of its 600,000 residents since 1990, may not impose taxes on the federal government – the largest landlord and the biggest employer.

But many of the capital's woes mirror those of other financially strapped cities across the US: drugs and crime have pushed middle-class residents into safer suburbs, leaving inner cities with a shrinking tax base.

In that sense, Washington is an extreme case of a wider problem, and its appointment of a professional manager also reflects a wider US trend. Increasingly, elected governments are being overwhelmed by inner-city problems and are turning to unelected boards, raising questions about democratic accountability.

Under the new rescue plan the federal government will take over a $5bn pension shortfall for city employees and pay for the courts, a prison, and parts of the criminal justice system. It will contribute an extra $170m a year to health services, and introduce large tax cuts.

In return, Mr Barry was forced to relinquish control of nine city agencies. The mayor also lost his prerogative to appoint department heads and to oversee procurement contracts.

Mr Barry is promising to fight back. "You cannot trade basic home rule, basic civil rights, for 30 pieces of silver," he says. Two weeks ago, he asked Washingtonians to show their indignation and to protest against "the rape of democracy".

Beyond a hard-core of noisy supporters, however, few appear to have heeded his call. "Painful as it is to lose our local governance rights, something had to be done," says Lloyd Smith, a community leader.

Mr Smith is disappointed that Congress's rescue plan did not earmark more help for local businesses. "We need to attract businesses and jobs back to the capital. It is the only way to fight drug abuse and attendant crime." But other community leaders give the financial control board credit for stemming the city's haemorrhaging finances – Washington will have a balanced budget for the first time next year, though the board will remain in charge until the city administration has produced four years of balanced budgets. But these leaders are still sceptical of the control board's ability to overhaul the administration and improve services.

Mr Brimmer knows that balancing the budget was only half the task. "We have slowed the rate of deterioration of services, but we have not stopped it – much less turned it around," he says.

Within hours of assuming the control board's increased powers, Mr Brimmer fired the managers of four municipal agencies. At his first meeting with department heads, he said he expected "less crime, cleaner streets, more courteous service, fewer potholes, better education".

Consultants are being hired to help streamline the administration. Much of the work will be modelled on last year's overhaul of the district police.

When the control board wrested the police department away from the mayor, it discovered only 360 of the 3,600 officers were patrolling the crime-ridden streets. More than 1,000 officers had never made an arrest. Consultants Booz, Allen & Hamilton recommended "saturating" the most notorious drug zones with hundreds of additional officers. The police chief was given the power to appoint his own lieutenants – previously nominated by the mayor – and to dismiss officers not up to the job. As a result, there has been a drop in crime, including homicide.

"While streets are not yet safe, they are at least a little less dangerous than before," Mr Brimmer says.

Although he is not promising instant results, he believes less political meddling will allow city managers to stop the deterioration in services. Much, he says, can be learnt from other cities, including New York, Chicago and Cleveland, which have also reformed their police and school systems and professionalised city administrations.

"The reform process is already under way," he says. "I am the key player for implementing this plan, and I assure you I will not let the ball drop."

FINANCIAL TIMES

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Friday August 22 1997

Job creation in France

The new job-creation scheme presented by Martine Aubry, the French employment minister, to her fellow ministers on Wednesday promises to do little for the more than 3m French unemployed.

Targeted at those aged 18 to 26, the planned 350,000 five-year contracts will cover activities ranging from "atmosphere monitoring" to "heritage promotion". They will be largely financed by the state, and available to local authorities and non-profit organisations.

The scheme is not as expensive as its critics make out. Nor, however, will it do as much good as the government hopes. The overall cost is FFr35bn (£3.5bn) over three years, of which FFr10bn will go to the creation of 100,000 jobs next year. This is small compared with the FFr45bn spent yearly in new jobs subsidies since 1996. Indeed, state-financed labour market programmes absorb no less than 3 per cent of GDP every year.

Will the scheme have any tangible effect on unemployment? Probably not, alas.

Unemployment in the target population of 18 to 26-year-olds stands at 22 per cent for males and 29.2 for females – significantly higher than the national average. Moreover, 2.1m people, old and young, are working in state-sponsored schemes, which should probably be considered as concealed unemployment, as should some forms of prolonged education. Even if it lasts the full three years, Mrs Aubry's plan will be little more than a drop in this ocean of wasted human resources.

France's underlying problem is the failure of its private sector to create jobs for the past decade and more. Employment growth in French companies has been virtually flat since the mid-1980s and its share in overall employment is declining faster than in the rest of Europe.

There are obvious macroeconomic reasons for this, and the current, albeit feeble, recovery should improve the picture slightly. Yet, according to the Organisation for Economic Co-operation and Development, up to 80 per cent of French unemployment is structural. High non-wage costs, lay-off restrictions, disincentives to work built into the social security regime – all play a role in the existing bias against work. These structural logjams are reflected in the steeply rising number of unfilled vacancies.

Labour market measures which fail to address these deficiencies will not result in much net job creation. Mrs Aubry's plan may be a way to provide training, and thus improve the employability of participants, but it can do no more than a little good to a small number for a limited time.

Deal in the dark

The stuttering progress of the deal between British Telecommunications and MCI raises the question of how companies and market authorities should cope with important but inherently uncertain transactions.

At one extreme is the view – widely held in some continental European markets – that shares should be suspended, if necessary indefinitely, when uncertain transactions are in progress. At the other end is the argument – common in both London and New York – that shares should remain openly traded throughout, but that companies should make every effort to avoid a false market by divulging as much information as possible.

This latter view is on balance preferable. But it imposes stringent demands on companies to provide a timely and comprehensive flow of information to their shareholders and to the market as a whole. In this instance, shareholders justifiably feel that BT and MCI could have done better.

One can sympathise with the companies' difficulties. Because their deal required complicated and lengthy regulatory approvals, it was inherently vulnerable to unexpected events. But when MCI's expansion into local telephony proved more costly than expected the two companies did not react well. There were hiccups in the exchange of information between them. And they also communicated poorly with shareholders.

The problem has worsened in the past 10 days. First MCI filed formal documents with the US Securities and Exchange Commission which implied that the deal was proceeding as before. Then, in the middle of the night, the two companies issued a terse statement saying that they were discussing the economic terms of the merger, and that "there can be no assurance as to the outcome of the discussions".

The precise outcome of these talks is still unclear. Even after yesterday's approval by the Federal Communications Commission, there are probably several more phases of uncertainty to come before the matter is resolved one way or the other.

Delay and a degree of confusion are inevitable in a transaction of this complexity. But that does not absolve the two boards from keeping their shareholders fully informed about the progress of negotiations, including areas of disagreement. Markets can helpfully put a price on such uncertainties: but they cannot perform that role if they are deprived of an accurate understanding of where the uncertainties lie.

At a standstill

If the government's discussion paper on transport policy was intended to give the appearance of democratic consultation before ministers set out their own ideas in the white paper promised for next spring, then it can do no harm.

But Britain has had a broad public consensus on transport policy since the Conservative government in 1994 recognised that expansion of the number of cars and roads could not be limitless for economic as well as environmental reasons. The transport department under Brian Mawhinney carried out its own substantial studies of the problems and alternatives, so the ministry under John Prescott can hardly pretend it has just discovered the arguments. Almost all sections of public opinion are now agreed on the need for limits to the increase in numbers of motor vehicles. What they cannot agree is how this should be achieved and at whose expense.

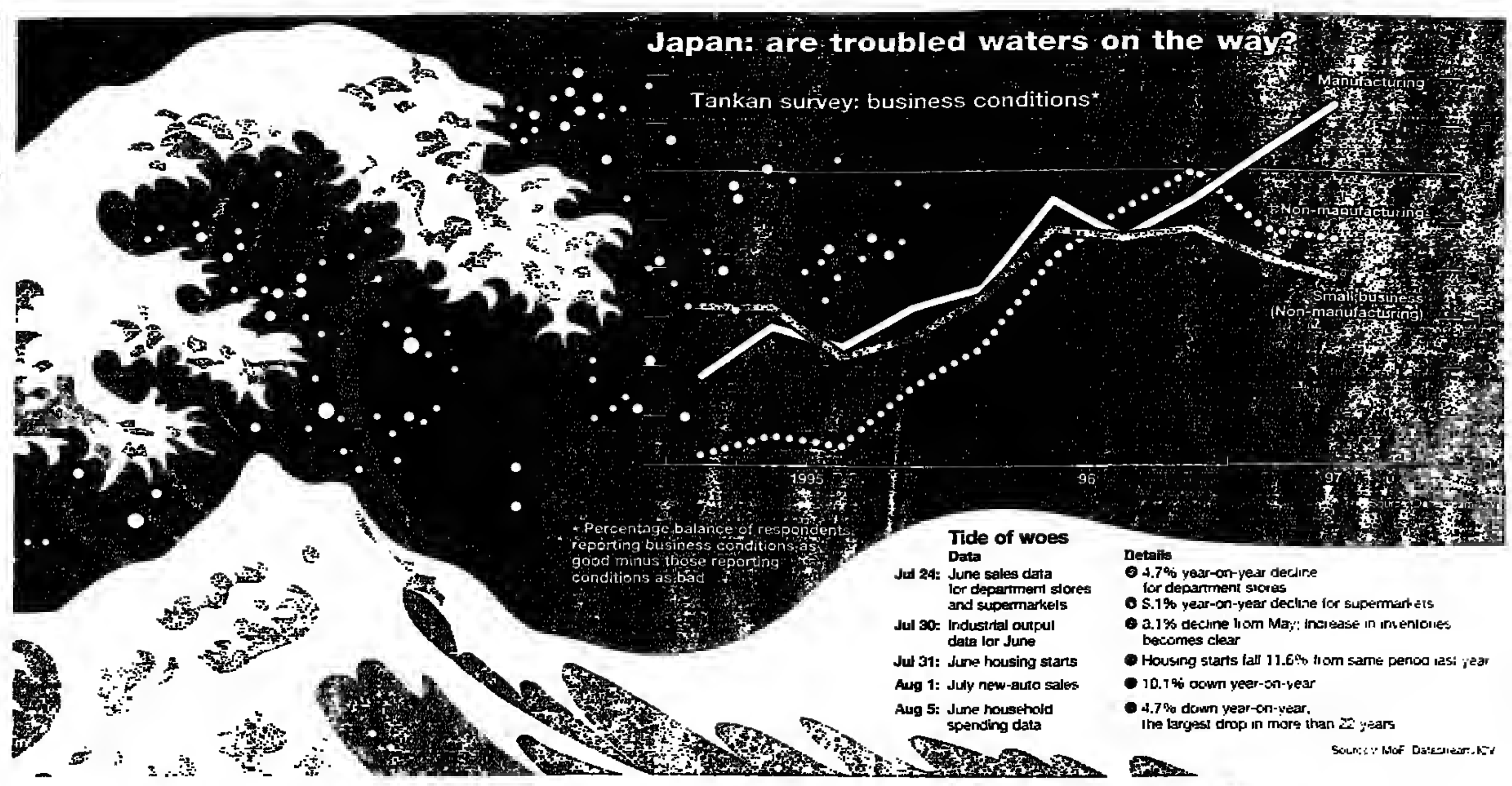
The Labour government's instinct may be to fill this gap with central planning. Its paper stresses integrated policies, which may indeed contribute to the solution. In recent years, some new roads in environmentally valuable areas may not have been necessary. But on a project of great importance to the railways, the Channel tunnel link, the government buckled in the face of local "not in my backyard" protest. The new "super-ministry" of the environment, transport and the regions ought to be in a good position to take a broad view of transport priorities.

But good planning is only part of the answer. Private cars are so convenient and so much part of modern culture that strong incentives will be needed to persuade people to make more of their journeys by other means. They will need to be offered more reliable and attractive forms of mass transport at competitive prices.

At the same time a pricing structure which strongly favours the use of cars must be further altered. This will require political courage. If drivers are to be confronted with the real costs of their journeys they will have to pay more in tolls and fuel duties. Such levies could also help fund alternative facilities such as bus and cycle lanes and better public transport.

To make road users pay more for the use of roads would be economically sensible, but it would also be extremely unpopular. This may be a reason for early action while the government enjoys a commanding parliamentary lead and remains popular.

But it must resist excessive zeal in penalising motorists. Private cars and the road network will remain the most important part of the nation's transport system for many decades to come. What is important is to strike the right balance between people's need and desire to use cars and their financial or environmental unwillingness to countenance additional roads.



Tide of woes

Data		Details
Jul 24:	June sales data for department stores and supermarkets	4.7% year-on-year decline for department stores
		5.1% year-on-year decline for supermarkets
Jul 30:	Industrial output data for June	3.1% decline from May; increase in inventories becomes clear
Jul 31:	June housing starts	Housing starts fall 11.6% from same period last year
Aug 1:	July new-auto sales	10.1% down year-on-year
Aug 5:	June household spending data	4.7% down year-on-year, the largest drop in more than 22 years

Source: MoF, Datastream/ICV

Japan's stormy weather

The economy was supposed to be recovering by now. It isn't. Gillian Tett considers the implications

Almost unnoticed, Japan's economy is making history.

Yesterday, the yield on 10-year government bonds closed at a mere 2.055 per cent. That was not only the country's lowest level ever but, as Marshall Gittler of SBC Warburg points out, the lowest anywhere since the US's long yields fell to 1.85 per cent in 1941. (Before that, previous lows had occured in 17th century Genoa, when four to five-year yields were 1.25 per cent.)

Financial historians apart, why should anyone else worry about this? The answer is that these rock-bottom interest rates may be a sign of something going seriously awry in the world's second-biggest economy.

On August 19, another big construction company, Daito Kogyo, went bust, the third general contractor to fail in six weeks. Total liabilities from bankruptcies doubled in the first six months of 1997. As the table shows, the most recent economic data have been dreadful: retail sales, car sales, housing starts; machinery orders, all have fallen sharply.

Increasingly, traders are beginning to fear that Japan might be heading into a downturn. And if it is, that would have profound implications not only for Japan itself but also for its trading partners in the US and in south-east Asia.

For the US, a slowdown would raise the possibility of increased trade friction, since exports are rising as demand slows.

For the Asian tigers, struggling to recover from currency turmoil, a slowdown would be worrying since Japanese companies outsource so much production to them. Reduced Japanese demand would spell trouble for one of the locomotives that could pull them out of their currency woes. That would hurt them, and would put more strain on the other locomotive, the US.

As for the Japanese themselves, a slowdown would mean they are reduced to one economic policy option: waiting.

Until recently, the prospect of a sudden slowdown looked unlikely. Since late 1994 the economy has been recovering slowly from the bursting of the bubble economy in the early 1990s. In 1996 gross domestic production rose 3.6 per cent – the highest rate of any G7 country. No one expected that rate to be maintained. It had been due partly to a big fiscal stimulus in 1995 and the government has since tightened fiscal policy considerably. But, if the Japanese government was to be believed, 1997 was also supposed to be the year when growth finally became self-sustaining – it no longer required emergency measures. And, indeed, earlier this summer, growth was still strong enough to prompt speculation that interest rates might soon rise.

Now, the mood has changed so much that investors appear to believe that bonds remain the best investment option in Japan – even at record low yields.

What has gone wrong? The economy has become rather like a twin-engine aircraft with one motor spluttering. On the one hand, large manufacturing companies are performing strongly, thanks to strong export growth. In July the value of manufacturing exports were 12.1 per cent higher by value than they had been a year earlier. Richard Jerram of ING Barings says that operating margins at large manufacturing companies have risen from 2.71 per cent in fiscal 1993 to 4.52 per cent in fiscal 1996. And a recent survey of business sentiment by the Bank of Japan showed that leading manufacturers are now more upbeat than at any time since November 1991.

But on the other hand, domestic demand is faltering. Hence the falls in consumption and the bankruptcies among construction companies. Hence, too, the decline in confidence among service sector companies and smaller manufacturers who tend to be more exposed to the domestic market (see chart). Profit margins at smaller manufacturers, unlike those at larger ones, remained flat in 1993-96.

The Japanese government insists that the recent slowdown is an aberration. It puts the blame on one factor – the increase in consumption tax from 3 per cent to 5 per cent in April. This, it says, depressed consumption in the second quarter of the year. But it hopes that once the summer is over, consumer demand should return to the relatively healthy pre-tax levels. Any slowdown, as Mr Hiroshi Mitsuzuka, finance minister, remarked earlier this week, should be "temporary".

Well, perhaps. But this reasoning depends on two assumptions. The first is that the pattern before the April tax increases was the "underlying" trend. The second is that there will be reason for Japanese consumers to feel more cheerful later this year. Both can be questioned.

Domestic demand before the April tax rises was also abnormal, since consumers were rushing to make purchases before the increases took effect. And there is little reason to expect an impending consumer boom. Pay packets are barely rising, and household incomes are being squeezed by the removal of special income-tax breaks this year. This, with the consumption tax rise, has removed some Y2,800bn (£15bn) worth of spending from the economy, according to calculations by Long Term Credit Bank.

These trends do not add up to a recession: most economists still expect growth of between 1 and 2 per cent in fiscal 1997, amid export growth. But what is most disturbing is that if the domestic stagnation continues – or if exports falter because of a US downturn or a drop in Asian demand because of the latest currency turmoil – the Japanese government has few policy tools to combat a downturn.

Monetary policy is barely an option. Interest rates have been at record lows to boost the economy since the autumn of 1995. With credit demand flat, cutting rates further is unlikely to provide much stimulus. Fiscal policy is also exhausted. The 1995 fiscal package certainly boosted growth. But it cannot easily be repeated: the general government deficit, excluding social security, was 7.2 per cent in 1996, and Japan faces a growing budget pressure from its ageing population.

Japan could, of course, aim to create an export-driven recovery, by pushing the yen down further. But this would be hard to achieve, since interest rates are already so low. It might not do enough to help companies depending on domestic demand. And it would provoke complaints from the US.

There is a fourth option – sweeping domestic deregulation. This is undoubtedly what Japan will need in the longer term. On paper, the government already has broad deregulation plans, including financial services, distribution and retailing. They have a shining precedent to point to: recent deregulation of Japan's mobile telephone market has led to a surge in that sector.

But mobiles phones are something of a special case, because demand for them is buoyant. There are few such easy gains. Anyway, it is still not clear that Japan will be able to maintain the political will needed to push through far-reaching liberalisation. Even if the government does summon up the courage, international experience suggests that such supply-side measures can take a long time to produce strong growth.

So where does it leave the government? For the moment, simply waiting for something to turn up. Perhaps it will. Consumption could rebound this autumn. Japan's land prices may already be bottoming out. Its financial sector may respond to deregulation unexpectedly quickly. Exports may continue to rise irrespective of Asian turmoil.

But if this does not happen, the implications are disturbing. If demand falls and exports rise, that could re-ignite trade tensions with the US. Charlene Barshevsky, the US Trade Representative, has recently given warnings about the dangers posed by Japan's rising trade surplus, which increased 70 per cent in the year to July. US car makers have been threatening to ask the US government to consider retaliatory actions against Japan if it does not open up its car market further.

A domestic slowdown could also exacerbate existing problems in south-east Asia. In 1996 47.6 per cent of Japanese imports came from elsewhere in Asia, slowdown in Japan could hurt this trade. At the same time, 46 per cent of Japanese exports go to Asia, half to South Korea, Thailand, Philippines, Indonesia and Malaysia. Weaker growth there could pit Japanese manufacturers against other Asian competitors with a new vengeance.

Perhaps most alarmingly, a new downturn might even sap the ardour to push through painful deregulation. In theory, a shock might be what is needed to push Japan into serious reform. In practice, some Japanese officials fear that stagnation could hamper reform. As one architect of the Big Bang financial deregulation admits: "It is easier to push through Big Bang when companies are confident – particularly if reform creates fears about job losses."

For the moment, this gloomy scenario remains just a possibility, not a probability. Japan may yet perk up again later this year. The bond markets, after all, have been wrong in the past. All the warning bells are sounding. It would be foolish to ignore them.

· OBSERVER ·

Crossed line for Optus

■ When Ziggy Switkowski resigned in June as the head of Optus, it looked like he was waving goodbye to any chance of bringing an Australian telecoms group to market.

Not so. Switkowski is to join state-owned Telstra, Optus's larger rival, which is floating a third of its shares in November. Switkowski, a nuclear physicist who began his career with Kodak, was yesterday named group managing director, business and international. Telstra took the opportunity to squash speculation that chief executive Frank Blount would quit after the float: he's staying until at least 1999.

All very galling for the privately-held Optus, where Switkowski only lasted 18 months as chief executive before saying goodbye amid a row about his handling of the company's pay-television unit Optus Vision. He was succeeded immediately by Briton Peter Howell-Davies from Optus's major shareholder, Cable and Wireless of the UK, but the row and the management changes delayed Optus's listing and it looks like it's going to have to wait until next year.

Some observers say the appointment is a body blow to Optus. Switkowski, a fan of Australian rules football, would certainly know a body blow when he sees one.

Hard news

■ Theo Waigel's bushy eyebrows are a familiar fixture on the world financial scene. So when the German finance minister says he'd like to call it a day after next year's general election, you'd expect a bit of interest.

Not everyone at Bayerische Rundfunk (Bavarian television) thought so. Waigel's local TV station recorded his words two weeks ago, before taking his *Urlaub* in the Baltic. BR eventually got round to showing its interview on Tuesday evening – at a time when people were more likely to be in the beer gardens than watching TV.

Reuters news agency caught the interview – more by luck than design – and sent the news out to the world, bringing BR's chief editor Sigmund Gottlieb speeding back from his own *Urlaub* to launch an inquiry into how the scoop was shelved.

Apparently the reporter regarded Waigel's comments as the understandably weary words of a man who was under pressure over a failed tax reform and pressure on the Bundesbank to revalue gold reserves. But in journalism – just as in politics – it's the instinct for the jugular that counts.

Lunar trick

■ Property prices being what they are, maybe it's understandable that there are plenty of US customers for 1,777.58 acre plots at just $15.99 each. It's a shame they're on the moon.

International conventions say no nation can own a celestial body, so Dennis Hope of Rio Vista, California, claims he has pre-empted the right to be moonlord. He's issuing anyone who pays up with a deed, a site map and a copy of the Lunar Constitution, which calls for freedom of speech, religion and real estate management.

There are more worlds for the former ventriloquist and used car salesman to conquer: he's started selling bits of Mars for $19.99. Given that luminaries such as John Travolta, Tom Cruise, and Ronald Reagan have invested in their tract of dusty crater – Hope's company Lunar Embassy has grossed more than $150,000 – it looks like the sky may not be the limit.

Game golfer

■ Two months ago, Amsterdam mayor Schelto Patijn tamed his unruly city for long enough to allow the European Union summit to take place in relative tranquillity. Yesterday, he donned a pink and gold peaked cap to talk about next summer's Gay Games, whose organisers boast that the four-yearly event – last held in New York – could be the Netherlands' biggest ever one-off tourist draw.

The staid Dutch business world hasn't exactly rushed to sign up as sponsors. Of the Fl 2.3m raised in corporate contributions, top name is Randstad, the country's biggest temping agency.

The usually strait-laced Patijn yesterday wore a plastic whistle around his neck rather than his chain of office, and admitted that in an unguarded moment he had agreed to take part in an invitation golf day and had thus become the games' first heterosexual competitor.

Plain fact

■ Thai central bank governor Chaiyawat Wibulswasdi had to announce yesterday that the central bank would spend three-quarters of its foreign reserves over 12 months. But he was worried that the media might think it all too simple: he said he would release the figures, then explain why they weren't that bad. "So," he told hacks, "Don't go and put the figures on the Reuters' screen without my explanation."

The Financial Times

50 years ago

Malayan War Damage
Kuala Lumpur, 21st August. Malaya's bill for war damages amounts to £129 million sterling, which has been claimed by 78,234 individuals and companies, the heaviest claims coming from Perak, centre of the tin-mining industry, where the scorched earth policy was rigorously carried out. Apart from this, claims for war risks insurance totalled £22 millions. Financial and administrative implications of the scheme for war damage compensation are to be discussed with the British Government by the Commissioner, who is proceeding to London by air on Sunday.

Canadian Capital In U.S.
Montreal, 21st August. Mr. Denton Massey, Canadian M.P., told the Rotary Club here that disaster would overtake Canada unless there was a change in the method of investment of capital. Figures he quoted showed that during the first three months of 1947 U.S. purchases of Canadian securities dropped to $71,000,000, or less than half the similar purchases for the first quarter of 1946, while Canada's purchases of U.S. securities increased from $66,500,000 to $75,800,000.

FINANCIAL TIMES
Friday August 22 1997

Crédit Lyonnais library of Hollywood films to be sold

By Samer Iskandar in Paris and Alice Rawsthorn in London

Hundreds of feature films once owned by Crédit Lyonnais, the troubled French banking group, including blockbusters such as *The Graduate*, *Platoon* and *When Harry Met Sally*, have been put up for sale.

Crédit Lyonnais collected a library of about 1,000 films during its ill-fated foray into Hollywood and the move comes at a time when the value of such assets is rising rapidly.

Ill-fated liaison: Anne Bancroft and Dustin Hoffman in The Graduate

Consortium de Réalisation, the entity set up two years ago by the French government to sell some of the state-controlled bank's assets, has appointed Furman Selz, a US investment bank, to organise the sale. The deal will include 39 movies that have won 79 Oscar nominations between them, as well as box office hits such as *City Slickers* and *Honeymoon in Vegas*.

The market for film rights has expanded during the 1990s following the launch of scores of cable, satellite and terrestrial television stations. Demand seems set to continue growing over the next few years when hundreds of digital TV channels go on air – heightening the competition for movie rights.

Film libraries that have recently come on to the market have attracted interest from a range of bidders. Prospective purchasers include Hollywood movie studios and the growing number of European companies that are investing in the film business, notably PolyGram, the Dutch entertainment group.

For a company that already owns an archive of films, the chance of adding further pictures represents an opportunity to increase profitability, as it will be able to sell more products from the same infrastructure.

Most of the established Hollywood studios have recently considered buying Ciby 2000, the Paris-based film production and distribution company owned by Bouygues, the French construction group. Ciby 2000 has 80 pictures, including its own productions such as *The Piano*, *Secrets and Lies* and *Muriel's Wedding*.

Société Générale, the French banking group, and Bannon & Co, its Beverley Hills-based associate company, are handling the sale.

The former Crédit Lyonnais film library was assembled during the 1980s, when the French bank bought film rights on a piecemeal basis from various producers.

CDR said yesterday it expected at least 20 companies to be interested in the archive.

THE LEX COLUMN

BT's bridal discounts

British Telecommunications and MCI's "clarification" of the state of their tempestuous marriage proposals was hardly that. But at least it suggests BT shareholders will avoid the worst case scenario of taking MCI on the previously agreed terms. There was a risk that the legal terms of its contract with MCI gave it no position to renegotiate, even after MCI's profit warning last month. Confirmation that the economic terms of the deal are being discussed again implies BT will pay less for the wedding ring, marry a tarted-up bride or just run away.

The best short-term outcome for BT would result from running. Given the earnings dilution from merging with this tarnished partner, BT shares could jump 10 per cent if there were no deal. However, legal threats from MCI investors might then resurface. BT management will have been sullied by this bruising encounter, which would affect the rating. And the removal of the keystone of its international strategy does not inspire confidence. There are few other brides out there, so the longer-term performance would probably be subdued.

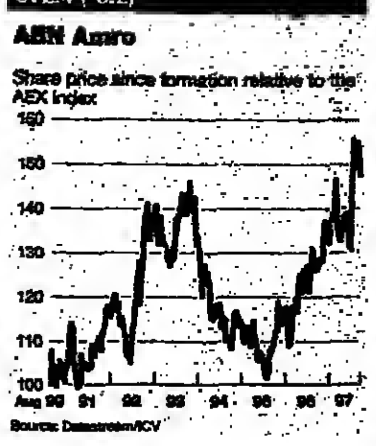
It still seems more likely a deal will be done. If both managements believe in the need to create global networks to pick up big multinational clients in the future, they will feel naked alone. And MCI's management will want to avoid the sharp fall in its shares that would follow a collapse of the deal. But BT shareholders face a dilemma. The deal might reap rewards many years hence, but the shares will still probably fall on any deal – even if it marries MCI at a 10 per cent discount.

ABN Amro

Acquisitive commercial bank with penchant for investment banking – sounds like a recipe for trouble. Yet this is ABN Amro's chosen route, and it has profited handsomely. The shares have slipped back in recent weeks, but they are still up by nearly 70 per cent this year. And yesterday's 20 per cent rise in interim net profits continues an impressive growth record.

Unlike, say, Lloyds TSB, which has made a few very large domestic acquisitions, ABN's success has been built largely on buying small, abroad and often. The Dutch domestic market is more profitable than most others on the Continent, but it is the successful acquisition strategy in commercial banking that

FTSE Eurotop 300 index: 972.4 (-6.2)



underpins the 17 per cent return on equity – well ahead of most continental competitors.

The wrinkle in the strategy concerns the future of investment banking. A strong domestic franchise boosts returns, but the rest of the business, in spite of some good components, looks unlikely ever to graduate beyond the third division. It is some consolation that the management has no plans for a big acquisition, but this leaves the business looking lightweight. Meanwhile, costs are growing twice as fast as revenues. The bank's higher risk profile looks suitably offset by the combination of a quality commercial banking earnings stream and a sober management team. But given the recent run-up in the shares, further gains from current levels look unlikely.

BICC

BICC has found some sticking plaster for one of its more suppurating wounds, but it does not look a permanent cure. Its agreement to merge its German energy and metallic cables business with those of NKF is its fourth attempt to sort the business out since its acquisition in 1993. Around £100m has been ploughed in, but the problems of over-capacity proved insurmountable. The joint venture with NKF takes a competitor out of the market and shares the pain of reducing surplus capacity. Indeed, it is a solution that could be applied to many of corporate Britain's European outposts, in areas such as building materials and chemicals.

The problem for BICC is that while this deal sorts out one European problem, there could be plenty more where that came from. There is a need for wholesale consolidation in the European cable industry. And by tying a knot with a smaller competitor, there is a risk that it becomes trickier to pursue a long-term solution of merging cable businesses with the likes of Alcatel or Siemens.

BICC still has the holy grail of building itself up in the steamier south-east Asian markets. But its rivals have had the same idea, so competition will intensify. Add in its problems in Australia and money could begin to get a little tight again. Since BICC's defence for keeping construction company Balfour Beatty is that it provides balance sheet backing, this must strengthen the argument for passing it on to someone else's balance sheet if it can get the right price.

UK transport

What do you do if road use is growing far too fast and you have neither the desire nor the cash to build your way out of the problem? The answer may have been conspicuously absent from yesterday's policy paper from John Prescott, the deputy prime minister, but it is blindingly obvious: price the roads. Moreover, Mr Prescott's decision to frame the problem in such blunt terms looks a heavy hint that radicalism may be on the cards. Put it this way: if he does not have a genuine remedy up his sleeve, to set out the unsustainability of current traffic growth so clearly is a very strange move.

Politically, of course, road pricing would be a formidable gamble. It means taking car-driving Middle England head-on. But if the proceeds were demonstrably used to improve public transport, voters might be less hostile. And there would be lots of cash to go round. After all, road pricing would not just generate revenues for the exchequer directly but would also reduce public transport's need for subsidy by bringing in more passengers.

No doubt, the government would go to some lengths to prevent the other potential by-product – too embarrassing a bonanza for the privatised rail businesses. But a road-to-rail shift could only benefit them. And in the process, it would give rail privatisation a powerful justification. Freed of artificial Treasury constraints, the industry's ability to cope with more demand through investment has been transformed.

Yeltsin acts to control arms trade

Continued from Page 1

countries," said Mr Boris Knzyk, the presidential adviser on arms exports.

Two new state companies have been authorised to trade arms: Promexport, which is to sell off surplus Ministry of Defence weapons stockpiles, and Russian Technologies, which is to trade in Russian military know-how.

Mr Yeltsin appointed Yevgeny Ananyev, former head of a bank linked to the Russian producer of MiG aircraft, to head the revamped Rosvoruzheniye. Officials at Rosvoruzheniye complained that Mr Ananyev was unknown in the weapons trading industry.

Opinion was divided as to why Mr Kotelkin fell victim to yesterday's grand reform. One view was that he was a casualty of the loquacity of his former patron, Alexander Korzhakov, an ex-Kremlin bodyguard and presidential sauna companion. Offended by his abrupt removal from the Yeltsin entourage last summer, Mr Korzhakov this week published a book of memoirs, rich in embarrassing details about the president's drinking habits and bouts of ill health.

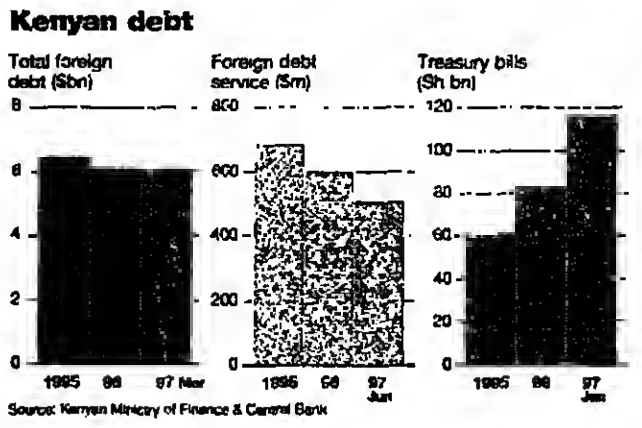
Kenya fears debt default unless IMF agrees deal

By Michael Holman and Michela Wrong in Nairobi

Kenya is in danger of defaulting on its $6.1bn external debt unless the government negotiates a new agreement with the International Monetary Fund, Micah Cheserem, the country's central bank governor, said yesterday.

The governor's comments came as it was announced that an IMF team is due to arrive in Nairobi this weekend to reopen talks on the terms for a new loan. The move followed a call to Michel Camdessus, the IMF managing director, from Daniel arap Moi, the Kenyan president.

Kenyan debt



Source: Kenyan Ministry of Finance & Central Bank

"The possibility of accumulated debt arrears is real if the present impasse with the fund is not resolved," said Mr Cheserem in an interview with the Financial Times. "Debt repayment difficulties could emerge in early 1998 but arrears could emerge even earlier if there was a political crisis."

However, most observers detect little evidence that the government is prepared to act to curb top-level corruption, a condition spelt out by the IMF for lending to resume.

Last month's breakdown in talks with the IMF over a $220m loan, coupled with continuing political violence, has eroded investor confidence.

The drop in the value of the shilling since the IMF suspension – from around 55 to the US dollar to this week's low of 71.50 – has made servicing more expensive.

Drought is expected to reduce GDP growth to an estimated 3 per cent. World Bank credits are being cut, donor aid is expected to fall, and recent violence on the coast, where the death toll now exceeds 37, will hit receipts from tourism.

So far, the central bank's substantial official reserves – which stood at $1.049bn on May 1 and $808m in mid-August – have given Kenya some leeway. In addition, Mr Cheserem has made clear he will not tap those reserves to save the shilling.

Despite the apparent improvement in Kenya's debt profile, underlying trends are worrying, economists say. There is little prospect of the shilling strengthening while business confidence remains low, with investors preferring to send profits abroad.

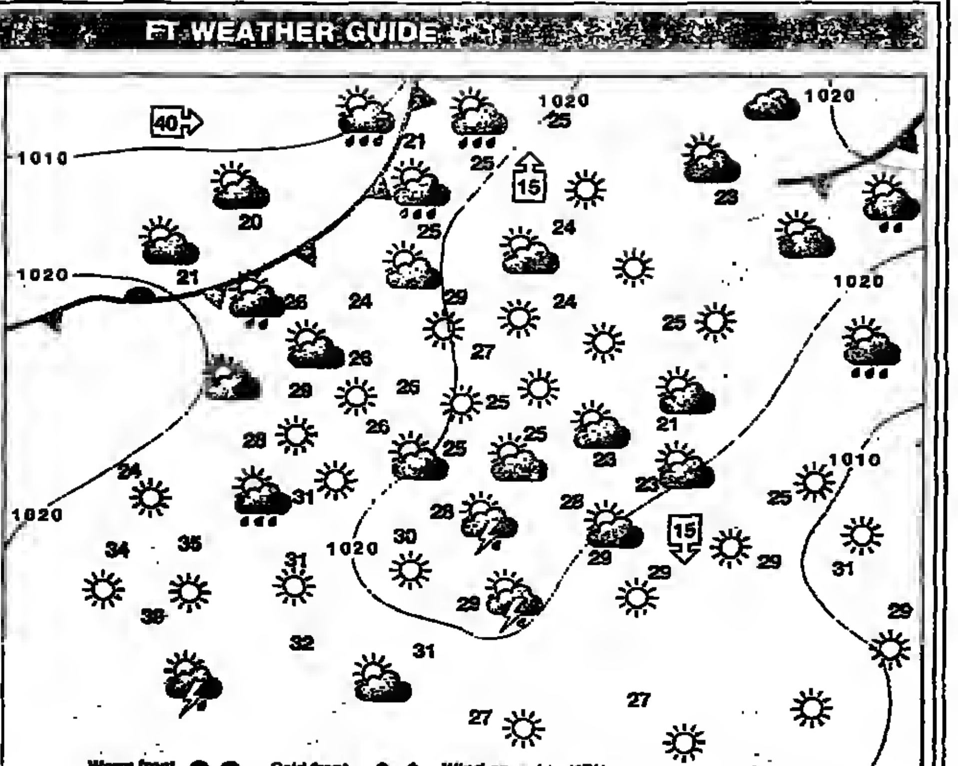
FT WEATHER GUIDE

Europe today

Western and northern parts of Scandinavia will be cloudy with showers or longer spells of rain, but south-eastern areas will be warm with plenty of sunshine. Eastern Europe will be settled and mainly dry with sunny spells. The Low Countries will start fine, but cloud will increase from the west to bring a few showers later. France and central Europe will be warm and mainly sunny. The Mediterranean will be sunny and hot, especially over central Iberia, but some thunderstorms are likely over southern Italy, the Atlas mountains and the Pyrenees.

Five-day forecast

It will be cloudy with showers over western Scandinavia, but the south-east will remain warm and dry. It will be warm and sunny over France and central and eastern Europe, but the Low Countries may have showers later. It will be hot and sunny over the Mediterranean, but southern Italy, the Atlas mountains and the Pyrenees may have thunderstorms.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celcius										
		Beijing	Sun 31	Caracas	Fair 32	Faro	Sun 30	Madrid	Sun 35	Rangoon	Shower 29
		Belfast	Cloudy 22	Cardiff	Cloudy 21	Frankfurt	Fair 30	Majorca	Fair 31	Reykjavik	Cloudy 13
Abu Dhabi	Sun 39	Belgrade	Cloudy 23	Casablanca	Fair 27	Geneva	Fair 26	Malta	Fair 29	Rio	Sun 30
Accra	Fair 29	Berlin	Fair 29	Chicago	Sun 22	Gibraltar	Fair 26	Manchester	Cloudy 22	Rome	Fair 28
Algiers	Sun 32	Bermuda	Shower 30	Cologne	Fair 28	Glasgow	Cloudy 18	Manila	Shower 29	S. Frsco	Sun 23
Amsterdam	Shower 24	Bogota	Shower 18	Dakar	Fair 30	Hamburg	Fair 27	Melbourne	Fair 15	Seoul	Fair 30
Athens	Fair 29	Bombay	Shower 31	Dallas	Thunder 36	Helsinki	Sun 25	Mexico City	Fair 27	Singapore	Fair 33
Atlanta	Sun 28	Brussels	Fair 25	Delhi	Fair 35	Hong Kong	Shower 31	Miami	Fair 32	Stockholm	Fair 25
B. Aires	Fair 11	Budapest	Fair 25	Dubai	Sun 40	Honolulu	Fair 32	Milan	Fair 26	Strasbourg	Fair 29
B.Ham	Cloudy 24	C.Hagen	Fair 25	Dublin	Cloudy 21	Istanbul	Fair 24	Montreal	Rain 18	Sydney	Fair 18
Bangkok	Cloudy 34	Cairo	Sun 32	Dubrovnik	Cloudy 25	Jakarta	Fair 31	Moscow	Fair 23	Tangier	Sun 27
Barcelona	Thunder 28	Cape Town	Fair 19	Edinburgh	Fair 19	Jersey	Drzzl 21	Munich	Fair 28	Tel Aviv	Fair 29
						Karachi	Fair 35	Nairobi	Fair 26	Tokyo	Shower 33
						Kuwait	Sun 43	Naples	Thunder 28	Toronto	Shower 20
						L. Angeles	Fair 27	Nassau	Fair 33	Vancouver	Fair 22
						Las Palmas	Fair 27	New York	Fair 25	Venice	Fair 25
						Lima	Cloudy 24	Nice	Fair 29	Vienna	Fair 25
						Lisbon	Sun 34	Nicosia	Sun 31	Warsaw	Fair 25
						London	Cloudy 26	Oslo	Shower 21	Washington	Fair 27
						Lux.Bourg	Fair 26	Paris	Fair 29	Wellington	Rain 11
						Lyon	Fair 32	Perth	Fair 18	Winnipeg	Fair 28
						Madeira	Fair 25	Prague	Sun 27	Zurich	Fair 26

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 22 1997
Week 34

IN BRIEF

Exports boost Honda profits

A robust export performance helped Honda, the Japanese vehicle maker, to record a sharp increase in first-quarter sales and profits. The company lifted pre-tax profits for the three months to June to Y105bn ($914m), compared with Y76.1bn previously. Page 19

SAirGroup ends 10-year run
SAirGroup, parent of Swissair and a collection of airline-related businesses, posted a profit of SFr109m (£44.83m) in the first half – the first time it has recorded an interim profit in almost a decade. Page 20

Normandy helps fund $248m gold bids
Normandy Mining, Australia's largest gold group, is helping to fund simultaneous cash takeover offers totalling A$334m (US$247.9m) for Eagle Mining and Wiluna Mines by Great Central Mines, the company built by Joe Gutnick, the Melbourne entrepreneur. Page 18

Halifax seeking acquisitions
Halifax, which became an £18bn ($28.65bn) bank in June, said it had £3.5bn of surplus capital and was looking for acquisitions to support diversification. The group reported an 8.8 per cent rise in interim pre-tax profits to £802m. Page 21

WH Smith rejects record chain offer
W.H. Smith, the UK retailer, has rejected a £135m ($215m) offer from Virgin Group to take full control of the Virgin/Our Price record chain. Virgin already owns 25 per cent of the joint-venture, formed in 1994. Page 21

Canada may face newspaper war
The prospect of a Canadian newspaper war increased as Hollinger, Conrad Black's company, began action to sell its minority stake in The Financial Post, the Toronto-based national daily. Mr Black, who had tried to buy the newspaper, may now launch another Toronto-based daily that would compete nationally with it. Page 18

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Badenwerk	550	+	15
BW & Berger	81.9	+	3.9
DLW	204	+	6
Mannesmann	905.0	+	45.5
Schmalbach Lub	378	+	12
Falls			
Altana	142.1	−	5.9
NEW YORK ($)			
Rises			
Beijing Yanhua	22⅝	+	3
Cap One Fin	39⅛	+	2¾
JLX Direct	24¼	+	1½
Morgan Keegan	28	+	2¾
Rock-Tenn	19⅛	+	2¼
Falls			
Pameco	17⅛	−	3⅛
LONDON (Pence)			
Rises			
Dellyndn	85	+	12½
Ransomes	51	+	22
Save Group	70	+	10
Ulster TV	237½	+	38½
Falls			
Quarto	155	−	26½
600 Group	110	−	13
TORONTO (C$)			
Rises			
Mackenzie Fin	29.3	+	14.7
Med Chem Hlth	4	+	1
Falls			
Cavell Energy	3.00	−	0.49
Intermalco	18	−	2
Ionerpower Cnt	3.25	−	0.50
OSF Inc	10	−	2

PARIS (FFr)			
Rises			
Geophysique	731	+	31
Falls			
CCF	324.0	−	10.6
Legris	241.5	−	7.9
Peugeot	691	−	14
Rhone Poulnc A	248.6	−	6.1
Schneider	334.7	−	7.3
TOKYO (Yen)			
Rises			
Asahi Chemical	660	+	43
Fudo Constn	344	+	21
M'bishi Plastics	360	+	30
Nagasakiya	328	+	28
Teijin	509	+	34
Falls			
Noritake	771	−	54
HONG KONG (HK$)			
Rises			
Cosco Pacific	18.95	+	0.50
Shaw Brothers	8.40	+	0.25
Sun Hung Kai	3.65	+	0.17
Falls			
China Res Ent	35.9	−	1.1
HK Electric	28.7	−	0.7
Henderson Land	68.50	−	3.75
BANGKOK (Baht)			
Rises			
Ayudhya Jadi	16.75	+	2.00
United Comm	111	+	10
Falls			
Bata Shoe	27	−	3
Nava Finance	23.0	−	2.5
Pralt & FCB	36.5	−	4.0
Union Bk Bngkk	27	−	3

New York and Toronto prices at 12:30.

Dutch bank may look again at privatisation of CIC in France

ABN Amro posts 20% gain

By Gordon Cramb in Amsterdam and John Gapper in London

ABN Amro, the Netherlands' largest banking group, yesterday ruled out a swathe of rumoured takeover candidates, but said it was willing to look afresh at CIC, the French regional bank, amid indications that the new French government may change the way it is to be privatised.

Presenting interim results which showed e 20.2 per cent jump in net profits to Fl 2.04bn ($98.1m), Jan Kalff, chairman, responded with a flat "no" to market suggestions he might be interested in Germany's Commerzbank or, in the UK, National Westminster Bank or the insurer Commercial Union.

Of CIC he said: "We are looking into it, and my impression is half the world is looking into it .... The file is only half open from the French side." However, he said the government there had evoked interest by appearing to relax its predecessor'e insistence on a sale en bloc with GAN, the insurer, which is CIC's parent.

Mr Kalff added that the group "was likely to glance" at any US divestments required as a result of the planned merger in Switzerland between Credit Suisse and Winterthur. "But the probability we would take anything of theirs over is almost zero."

Jan Kalff downplayed rumours that ABN Amro was eyeing up CIC, saying 'half the world is looking into it' Picture: Lydia van der Meer

In May, ABN Amro, already the largest foreign bank in the US, completed e $1.9bn takeover of Standard Federal, the biggest Midwest savings and loan group. It and Chicago Corporation, an investment bank also snapped up last year, were consolidated in the latest accounts from January.

He excluded any big purchase on Wall Street, saying: "We do not have that ambition. It would be nice to double or treble the revenues from investment banking, but I think that the risks involved are far too big."

While pre-tax profits from investment banking rose 9 per cent to Fl 654m, these would have been down by more than that if not for reapportioning of loan loss provisions within the group. ABN Amro sold MeesPierson, the Amsterdam merchant bank, to the Belgian-Dutch Fortis, and incurred higher bonus peyments at units such as Hoare Govett, its London stockbroker.

Although ventures such as a year-old equities link-up with Rothschild "exceeded expectations", interest income continued to supply well over half the group's total revenues – which, at Fl 11.36bn, were up 21.8 per cent. Costs, however, ran ahead of this, with the Fl 7.59bn bill for operating expenses emerging 23.7 per cent higher. ABN Amro shares closed Fl 2.70, or 5.6 per cent, lower at Fl 45.40.

The bank set aside a further Fl 65m for technology costs related to the euro, saying the Fl 375m total was now adequate. It is selling itself as "the euro bank".

Lex, Page 16

S African life assurer to abandon mutuality

By Mark Ashurst in Johannesburg

Old Mutual, South Africa'e biggest life assurer and financial services group, yesterday announced it would convert from e mutual eociety to a atock market-listed company within two years.

The 152-year-old institution is the single largest investor on the Johannesburg Stock Exchange. At the 1996 year-end, the society reported net assets wortb R155.7bn ($32.8bn).

Mike Levett, chairman, said Old Mutual planned to list in Johannesburg and would consider other foreign listings, subject to approval from exchange control authorities.

Analysts said a London listing was certain. It would make it the first South African mutual society to secure unfettered eccess to international capital markets.

The demutualisation, the first by a big South African institution, follows restructuring of mutual societies in the UK, US and Australia. Sanlam, Old Mutual's chief rival, is considering a stock market listing before 2000.

The move is an about-face for Old Mutual, which has previously denied epeculation tbat it could abandon its mutual status. Mr Levett said the group had "no need at present for seeking external capital to finance and expand". However, demutnalisation would give it "the ability to raise capital where and wben we need it".

The plan took Johannesburg's financial community by surprise. "Old Mutual hava always been adamant they wouldn't list. They are so big already that they cannot axpand meaningfully in this country, and, under current exchange controls, they can't deploy funds offshore without e [international] listing," said Alan McConnochie, analyst at BoE Natwest in Jobannesburg.

The listing would pave the way for Old Mutual – with brancbes in Guernsey, Hong Kong, Malawi, Namibia, South Africa and Zimbabwe and an unlisted esset management subsidiary in London – to develop into an international financial services group.

Analysts suggested the listing would inclnde generous options for menegement, which could reduce departures by senior staff.

Dutch and UK groups in cable merger

By Roger Taylor in London and Frederick Stüdemann in Berlin

BICC, the UK cable and construction company, is merging most of its German cabla operations with those of NKF, the Dutch gronp, in response to industry overcapacity and falling prices which have driven both businesses into losses.

The new company, to be called Kaiser Kwo Kabel, will employ only half the present workforce of 1,200 and will close production facilities in Nüremberg and Oberspree.

The news comes a week after BICC reported a 13 per cent drop in profits for last year because of difficulties in its European cable businesses.

The 50/50 joint venture, to be based in Berlin, will include the two companies' manufacture of high-voltage cable for the electricity industry and copper cable for telecommunications. Their fibre optic and data transmission cable manufacturing businesses will remain separate.

The BICC businesses in the deal are the former East German state-owned cable company which BICC bought for £23m ($37.5m) in 1993 – the last year in which it made a profit. Losses for 1996 were £13m. Sales last year were £100m, compared with £120m for the NKF businesees involved in the merger.

BICC said the restructuring would cost it up to £15m. It could not put a figure on the cost savings that would result but said it expected KKK to make a profit in 1999.

Analysts welcomed the news but said it was too little too late, and compared BICC unfavourably with competitors such as Alcatel Alsthom, the French company, which made bigger cuts earlier. They said they hoped BICC would take similar steps in other areas such as Italy, where demand for cable has fallen while the power industry is prepared for privatisation.

BICC said it had already taken action to stem losses in Germany, including the closure last year of its Schönow factory at a cost of £25m.

Demand for cables in Germany has been weak for several years. BICC said the first quarter of 1997 had seen another "sharp and unexpected price deterioration".

NKF yesterday announced profits of Fl23m ($11m) for the first half, down from Fl21.9m in the same period of 1996.

BICC's shares rose 8p to 177½p, while NKF jumped 17 per cent to Fl57.8.

Lex, Page 16

Fujitsu ends takeover dispute

Computer group raises offer price to appease Amdahl shareholders

By Gwen Robinson in Tokyo and Louise Kehoe in San Francisco

Fujitsu, Japan's largest computer group, has agreed to raise slightly tha price it will pay for Amdahl, the US mainframe computer systems company, resolving a dispute with Amdahl shareholders.

Last montb, Fujitsu announced plans to take control of Amdahl, in which it held a 42 per cent staka. Amdahl's directors hed approved a $12 a share offer price but analysts said the price was surprisingly low.

A group of Amdahl sharebolders filed a class action lawsuit on July 30 claiming Fujitsu's proposal offered too little premium over Amdahl'a stock price of $11.87 on the American stock exchange.

Yesterday, Fujitsu said it had agreed to raise its offer price to $12.40 a share and the lawsuit had been dropped. The new offer price will apply to both the tender offer and merger, and certain additional disclosures will be made in e supplement to the tender offer materials, Fujitsu said.

In a statement issued in Tokyo, Fujitsu said tha two companies will also settle stockholder litigation against certain Amdabl directors in connection with the takeover bid.

Fujitsu said the companies "continue to deny any wrongdoing in connection with the tender offer and proposed merger and hava agreed to amend the tender offer in order to avoid the disruption and expense of further litigation". Amdahl's shares gained $$\frac{7}{16}$$ to trade at $$12\frac{5}{16}$$ on news of the increased offer.

Separately, Fujitsu announced a marketing alliance with Oracle, the US database software company. Fujitsu will sell and install Oracle software in the Asia-Pacific region.

The agreement is one of several reached by Oracle witb leeding computer companies. It also marks e new phase in Fujitsu's aggressive strategy to expand its business through international links. Last year, Fujitsu and Oracle formed a joint strategic business unit and in April this year announced a tie-up in the field of customer support in Japan.

Kazuto Kojima, group president for marketing at Fujitsu, said extending the partnership throngbout tbe region will take the two companies "into a new era of business growth".

Under the new agreement, Fujitsu will market Oracle's products and technologies on its main platforms, particularly bigb-performance small servers. The companies will target regional finance and banking sectors as well as public organisations and manufacturers. They plan to set up a joint sales network by the end of next month, with 13 Fujitsu subsidiaries, two Fujitsu sales agents and 12 Oracle subsidiaries.

Japanese bank to launch $1.3bn euroyen issue

By Gillian Tett in Tokyo

Hokkaido Takushoku, one of Japan'e top 20 banks, plans to turn Y150bn ($1.3bn) worth of property-related loans into euroyen bonds to be sold to international investors in London.

The first tranche of the issue, which aims to improve the bank'a financial position ahead of Japan's planned "Big Bang" reforms, will be brought to the market next month by Daiwa Securities and BZW, the investment banking arm of Barclays Bank of the UK.

The move is one of the first concrete signs of collaboration between Barclays and Hokkaido Takushoku, also known as Takugin, since the two started alliance discussions this summer.

It also highlights a growing trend among Japanese banks, which are trying to rednce their large loan portfolios to make themselves more attractive to investors ahead of Big Bang.

Earlier this week Sakura Bank, a major commercial bank, said it planned to convert between Y1,000bn and Y1,500bn worth of loans into asset-backed securities in this financial year.

This, together with other loan sales, is expected to reduce the bank's loan portfolio by about Y3,300bn to about Y50,000bn by March 1998.

The Bank of Tokyo Mitsubishi, Japan's largest bank, is also considering using securitisation and other financial techniques to cut its risk-weighted assets by up to Y3,000bn. It has already made one Y105bn issue of asset-backed securities this summer in London markets.

Sumitomo Bank has taken similar steps, and a range of other banks, including Fuji, Yasuda Trust and Sanwa, are also considering moves.

Meanwhile, if its first issue is successful Takugin plans to raise more money through securitised issues over the coming months. The group had Y6,971bn worth of loans in March 1997.

The steps have been taken because the growing competition whicb Big Bang is expected to usher in has made the Japanese banks keen to boost their Bank for International Settlements ratio – the usual measure of financial strength.

Securitisetion has hitherto been restricted in Japan, prompting groups such as Takugin to issue bonds overseas. But it is expected that regulations will be eased as part of the Big Bang reform.

Sakura, for example, is expected to carry out at least part of its securitisation in Japan.

In March 1997 Takugin had a BIS ratio of 9.34 per cent. However, the group is weighed down with some Y933bn worth of bad property–related loans and is perceived by analysts to be one of the weaker of the major Japanese banks.

Although the gronp is due to merge with another regional Hokkaido bank next year, the merger has run into difficulties because of a dispute about the size of the two banks' bad debt portfolios.

Japanese tempest, Page 15

Normandy contributes to A$334m bids

By Kenneth Gooding, Mining Correspondent

Normandy Mining, Australia's biggest gold group, is helping to fund simultaneous cash takeover offers totalling A$334m (US$247.9m) for Eagle Mining and Wiluna Mines by Great Central Mines, the company built by Joe Gutnick, the Melbourne entrepreneur.

If the deals go through, Normandy would have between 10 and 25 per cent of Great Central and Robert Champion de Crespigny, Normandy chairman, would join the Great Central board.

Great Central bas been at the centre of bid speculation – a week ago Mr Gutnick formally denied tbe company had received a bid approach from Barrick Gold, North America's biggest gold producer – and the link with Normandy was interpreted by some analysts as a defensive ploy.

If the arrangements are completed, they would also make Normandy bigger for any North American predator to swallow.

Mr Gutnick predicted last month that the drop in the US dollar gold price to a 12-year low would lead to rationalisation of the Australian gold industry. High-quality, low-cost companies would stand out as takeover targets and one of those was Great Central, he said.

Eagle and Wiluna hold concessions in the prospective Yandal Greenstone Belt near Great Central's Jundee and Bronzewing gold mines in Western Australia.

Anthony Poli, Eagle chairman, described the offer – A$3 a share, representing a 19 per cent premium over the average for the past month and valuing the company at A$229m – as "totally inadequate" and revealed his company had received other approaches.

Wiluna advised its shareholders to take no action because a higher bid, or one from another group, might emerge. Great Central is offering 65 cents a share, a 41 per cent premium, valuing Wiluna at A$105m.

The offers are being funded by a loan facility arranged with Chase Manhattan Bank and the Normandy strategic investment.

This will involve the placement of 23.4m Great Central shares (10 per cent of its enlarged capital) with Normandy at A$2.45 each, raising A$62.24m. In addition, Normandy will provide a loan facility of up to A$155m. This is to be repaid by a combination of cash and/or Great Central shares which would give Normandy up to 25 per cent of Great Central.

Colin Jackson, Normandy general manager, said the link would not prevent any bid for Great Central by Barrick or Placer Dome, another Canadian company. Any takeover of Great Central by Normandy was "a long way over the horizon". He described the link as a "partnership" that would provide Normandy with exposure to the Yandal gold belt.

Canada faces newspaper war

By Scott Morrison in Vancouver

The prospect of a national newspaper war has increased as Hollinger, the Canadian newspaper company controlled hy Conrad Black, began proceedings to sell its minority stake in The Financial Post, the Toronto-based national daily.

Notice of the sale initiative increased the likelihood that Mr Black, who had tried unsuccessfully to buy tbe newspaper from majority shareholder Sun Media, will launch a fifth Toronto-based daily to compete nationally with The Financial Post and The Globe and Mail.

Peter Atkinson, Hollinger vice-president, said the company was assessing the matter and would make a decision within months.

"We've reached a bend in the road where we believe we are going in another direction," Mr Atkinson said, referring to his company's decision to ahandon its quest for control of The Financial Post.

Pearson, the UK group which owns the Financial Times, controls 19.9 per cent of The Financial Post.

Mr Atkinson said Hollinger formally notified privately-held Sun Media in June of its intention to sell its stake in the Post.

Under the terms of the partnership agreement, Sun Media is obliged to take the stake and has 120 days to respond to Hollinger's notification.

Hollinger values its stake in the Post at C$25.6m (US$18.4m), but if the two sides cannot agree the sale price might need to be determined hy an independent appraiser.

The move could prove difficult for indehted Sun Media, which also owns The Toronto Sun and papers in Ottawa, Calgary and Edmonton.

In May it issued US$90m in debt to finance its acquisition of the London Free Press, a mid-sized daily in south-western Ontario, raising its total deht to about C$400m.

The issue's offering memorandum noted that a Hollinger decision to sell its Post stake "could have a material adverse affect" on Sun Media.

Paul Godfrey, Sun Media chief executive, was not available for comment.

Mr Atkinson denied Hollinger's decision was a Machiavellian acheme to force Sun Media into a corner. "We feel that if we can't control it, what's the point of continuing with it," he said.

The decision sharply increases the likelihood that Hollinger will go ahead with plans to launch a national daily based in Toronto, the only hig city in which Mr Black does not own a controlling stake in a newspaper.

Analysts, however, questioned whether the market could bear another competitor, in apite of the industry's strong rebound.

With control of 59 of Canada's 105 dailies, Hollinger would be in a strong position to offer competitive national advertising rates, putting the squeeze on all Toronto papers.

Conrad Black: sale is no Machiavellian plot — Ashley Ashwood

SAirGroup makes interim profit after decade

By William Hall in Zurich

SAirGroup, parent of Swissair and a collection of airline related businesses, has reported a net profit of SFr109m ($72.6m) in the first six months of 1997 – the first time it has made an interim profit in almost a decade.

It attributed the sharp improvement to the fortunes of Swissair, Switzerland's national airline.

Swissair, whose performance has lagged behind its competitors' in recent years, made a pre-interest operating profit of SFr90m in the first balf of 1997 on sales of SFr2.57bn. Comparable figures for 1996 are not available, but Philippe Bruggisser, who took over as group chief executive at the start of 1997, said tbere bad heen substantial improvement in the airline's performance.

He attributed the turnround to three factors: tbe economic recovery in Europe; favourable currency movements; and the group's cost-cutting programme.

Swissair carried 15.8 per cent more passengers; Crossair, the group's short-haul airline, carried 22 per cent more passengers; and Sabena, the loss-making Belgian subsidiary, carried 28.6 per cent more passengers. Swissair's load factor rose from 61.8 per cent to 68 per cent.

Although Sabena lost SFr42m in the latest balf-year, Mr Bruggisser said its results were "above expectations". He was optimistic the cost-cutting measures in the group's three airline subsidiaries would enable it to meet its group financial target of a 12 per cent after-tax return on capital employed by 1998.

The group expects to earn SFr600m before interest and tax in 1997, which would be equal to a return on capital of 9 per cent, compared with 5 per cent in 1995. It is budgeting on raising this figure to SFr750m in 1998 which would equal a 12 per cent return.

SAirGroup's shares, which have risen by more than 75 per cent this year, closed SFr5 higher at SFr1,970 yesterday and several analysts indicated they would raise their earnings forecasts for the full year.

The turnround in SAirGroup's traditional airline business was offset by a less impressive performance in SAirRelations, the group's second biggest business, which has provided most of the growth in recent years.

The acquisition of Allders, the UK duty free chain, has taken longer than expected to contribute decent returns and a downturn in Japanese tourism in Australia has hit an important segment of the group's airport retailing activities. The turnover of SAirRelations rose by 60 per cent to SFr1.62bn, primarily as a result of acquisitions.

Commission fees behind 23% rise at Swedbank

By Greg McIvor in Stockholm

Swedbank, the Swedish bank which is merging with Föreningsbanken to form the conntry's second-largest bank by total assets, yesterday posted a 23 per cent rise in pro-forma half-year profits.

Operating profits – which for the first time included earnings from Föreningsbanken – rose from SKr3bn to SKr3.7hn ($458m). The merger was implemented in June hut awaits formal approval from hoth sets of shareholders.

The surge in profits completed a strong series of first-year reports from Sweden's four hig banks. Swedbank, to he known domestically as FöreningsSparhanken, emerged as tbe biggest of the quartet measured hy total income.

However, it lags behind the others in profitahility. Return on equity was 20.4 per cent, an increase from 16.5 per cent last year hut below the average of 23.2 per cent among its three main rivals.

Total income rose from SKr9.8hn to SKr10.3hn. The gain was chiefly due to a 26 per cent rise in commission income, reflecting strong growth in fund management operations.

Earnings per share increased from SKr6.57 to SKr7.56. This was above market expectations but Swedbank's most-traded A shares eased SKr1 to SKr184.

Swedbank said operating income was also boosted by a fall in loan losses.

Sour credits declined from SKr1.4hn to SKr1hn, or 0.4 per cent of total lending.

Reinhold Geijer, Swedbank chief executive, reiterated his prediction that the merger would cut annual costs by SKr1.5hn from 2000. The SKr2bn net cost of the tie-up would be taken in 1997 and 1998. Around 2,000 jobs would he shed out of a total 12,500, Mr Geijer added.

The bank said margins in bank lending had remained firm, hut deteriorated slightly in mortgage lending and deposits amid intensifying price competition from other hanks and financial institutions.

Expenses increased hy 4 per cent, from SKr5.38hn to SKr5.57bn. Swedhank ascribed this to higher wage, technology and marketing costs.

Total lending rose from SKr467hn to SKr493bn. Aggregate deposits advanced from SKr360bn to SKr394bn. Net commission income increased hy 28 per cent to SKr2.1bn. The capital adequacy ratio fell 12.5 per cent.

INTERNATIONAL NEWS DIGEST

Linde moves ahead 8.2%

Linde, the German industrial group, overcame a drop in domestic business to lift profits and sales in the first half of this year. Pre-tax profit increased 8.2 per cent to DM283.6m. Sales rose 5.8 per cent to DM4.2bn ($2.26bn), fuelled by growth of foreign activities.

German sales fell 1.5 per cent to DM1.4bn, but foreign sales were 9.9 per cent higher than a year ago at DM2.8bn. Domestic orders fell 3.4 per cent to DM1.6bn, while foreign orders increased 20.5 per cent to DM3.2bn, boosted by the weakness of the D-Mark. Linde said trading conditions were good in all four of its husiness divisions.

Graham Bowley, Frankfurt

■ INSURANCE

ING arm in Japanese alliance

ING Life Insurance, the Tokyo arm of the Netherlands's ING financial group, has formed an alliance with Liberty Mutual, the US insurance group. The alliance, the first by two foreign groups in Tokyo, aims to penetrate the Japanese market.

The move comes as a growing number of foreign financial companies seek ways of strengthening their presence in Japan, ahead of the country's planned financial deregulation. The two groups said they would work together to promote different insurance products through ING's sales force and the Tokyo branch of Liberty Mutual. ING has expertise in cancer insurance, whila Liberty Mutual's main speciality is employee insurance. Combining these should allow the groups to provide a specific executive package for the Japanese market, an ING official said.

Gillian Tett, Tokyo

■ TELEPHONY

Comverse-Boston merger

Comverse Technology, the US developer of technologies for enhanced telephony services such as voice mail, is to acquire Boston Technology, maker of voice and internet messaging systems, in a $858m stock transaction.

Under the agreement, each Boston Technology share will be converted to 0.65 Comverse common share. Based on Wednesday's closing prices, the deal valued Boston Technology shares at about $31¼. For 1996, Comverse reported earnings of $28m on revenue of $207m. Boston Technology had earnings of $14m on revenues of $192.5m. The merger would make Comverse the leading supplier of enhanced services technology to telecommunications companies, said Kohl Alaxander, chairman and chief executive.

Louise Kehoe, San Francisco

■ SCANDINAVIA

DFDS rises across the board

DFDS, operator of Scandinavian Seaways ferries in the North Sea, the Tor Line freight business, and the DFDS Transport European road haulage group, increased first-half pre-tax profits from DKr82m to DKr137m ($19.4m) on turnover up from DKr3.84bn to DKr4.10bn. The company described the result as satisfactory. It predicted full-year operating earnings better than last year's DKr269m. All three divisions reported an improved performance. DFDS will report an extraordinary income of about DKr200m this year, which will be distributed to DFDS when the War Insurance for Danish Ships fund is liquidated.

Hilary Barnes, Copenhagen

■ THAILAND

Nava to lift registered capital

Nava Finance & Securities, one of Thailand's leading finance companies, is to more than triple its registered capital through a private placement worth Bt7.75bn ($244m). The announcement sent a shock through the Thai stock exchange where it was taken as a sign that even healthy financial institutions may have to engage in large capital raising exercises in the aftermath of Thailand's financial crisis.

Nava shares fell 10 per cent, the maximum allowed by the Thai exchange, to close at Bt23. National Finance & Securities, another leading finance company, dropped Bt2.25 to Bt26. "We're going to see more of these things and not everybody is going to be able to do it through a private placement," said one foreign analyst. "It's going to be a real drag on the market."

Ted Bardacke, Bangkok

■ DENMARK

Unidanmark jumps 89%

Unidanmark, Denmark's second largest financial services group, yesterday reported an 89 per cent surge in first-half profits, from DKr1.28bn to DKr2.42bn ($342m). Meanwhile, Den Danske Bank, its larger rival, reported an increase of 28 per cent to DKr3.10bn. Unidanmark's result took earnings per share from DKr24 to DKr46 and return on equity to 29 per cent, the bank said. Both banks were ahead of analysts' expectations, but Danske shares fell DKr5 to DKr710. Unidanmark's rose DKr15 or 3.4 per cent to DKr454.

Hilary Barnes, Copenhagen

■ FOOD

Nutricia rises despite recall

Nutricia, the Dutch foods group, shook off the negative effects of product recalls of its bahy milk to boost first-half net profits 24.8 per cent to Fl 107.1m ($52.3m). It said yesterday the fears of salmonella contamination which surrounded its infant formulas in January in the UK, Ireland and France clipped 1.4 per cent off growth in sales, which ended the period 5.6 per cent higher at Fl 1.51bn. Pre-tax profits, where the recall impact reached Fl 14m, were 20 per cent ahead at Fl 190.6m. Nutricia said the integration of the French-based Milupa, maker of the products which triggered the alarm, had made further progress. Last month the company, which plans to change its name to Numico, abandoned plans to take a minority stake in Vitamex, a Swedish manufacturer of food supplements.

Gordon Cramb, Amsterdam

Viag purchases reach DM4bn

By Ralph Atkins in Bonn

Viag, the Munich-hased industrial conglomerate, said yesterday that spending on acquisitions leaped to almost DM4bn ($2.16bn) in the first six months of this year, as it unveiled a 28 per cent rise in first-half pre-tax earnings to DM1.5bn.

The rise in acquisition spending – up from DM178m in the first six months of last year – reflected the reorganisation of Viag's portfolio of energy, chemicals, packaging and logistics businesses.

It said 1997 would be dominated by investments in tha energy sector to secure a strong place in the liberalised European energy market, and in telecommunications as a fifth "high growth" division.

The latest figure excludes Viag's participation in a German-US consortium which is acquiring Bewag, the publicly-owned Berlin utility.

Viag also confirmed plans to invest, with British Telecommunications and Telenor of Norway, some DM7.5bn over the next 10 years on the Viag Interkom telecommunications business.

The company said the half-year earnings reflected improved operating profits across all businesses but particularly in energy and chemical divisions.

It did not disclose divisional results, but confirmed planned start-up losses in telecommunications of about DM350m would hit the full year's results.

A further DM350m losses are expected to be incurred before the start of mobile telephone activities in mid-1998.

The half-year figures were higher than expected and the shares ended up DM40 at DM818. For 1997, Georg Obermeier, chairman, predicted at least 10 per cent growth in operating earnings and a 10-12 per cent rise in turnover. Sales in the first six months rosa from DM21.22hn to DM23.76bn, including a 13 per cent increase at VAW aluminium which Viag said reflected a pick-up in demand.

However, sales fell in the container glass segment. After taking account of acquisitions and disposals, overall Viag sales were up 7 per cent. The main acquisitions in the first half included increases in Viag's holdings in Isar-Amperwerke, the energy provider, and in Goldschmidt, the specialist chemicals company, from minority to majority stakes.

COMPANIES AND FINANCE: INTERNATIONAL

Exports drive Honda advance

By Michiyo Nakamoto in Tokyo

A robust export performance and strong recreational vehicle sales helped Honda, the Japanese vehicle maker, to record a sharp increase in first-quarter sales and profits.

The company lifted pre-tax profits for tha three months to June to Y108bn ($914m), compared with Y76.1bn previously.

Sales rose 15 per cent from Y1,230.8bn to Y1,418.8bn, while net income climbed 36 per cent from Y45.7bn last time to Y62.8bn.

The company was also helped by the depreciation of the yen, which contributed Y30.5bn to operating profits. Cost cots added another Y14bn.

Honda said it recorded strong sales of recreational vehicles in Japan and in key markets In North America and Europe. This belped to counter a sluggish domestic market.

It also enjoyed strong demand in the US and Europe for its cars. In the US, the group's Civic model maintained high aales, while the Accord performed well in spite of being at the end of its current model life-cycle.

Honda saw firm demand for its CR-V light sports utility vehicla, which was introduced to North America In February.

After setting a target of 50,000 units for the calendar year, the company has already achieved sales of 39,000.

Demand for tha CR-V was weaker in Europe than in the US, but Honda enjoyed firm European sales of its Civic 3-door hatchback and Prelnde saloon models.

In contrast to the US and European markets, the Japanese market was sluggish owing to the increase In consumption tax in April.

However, Honda was not hit as hard by the drop in demand as some of its competitors.

The market as a whole fell 8.8 per cent in the first quarter, but Honda managed flat unit sales as a result of the continuing popularity of its recreational vehicles, sucb as the StepWagon, the SM-X and tbe Odyssey.

However, the company could face further presaure in the months ahead as competitors launch a range of RVa at a time wben Honda has no new offerings in the category.

The group'a only big launch will be a fully remodelled Accord in September.

Currency pain mounts in Malaysia

Depreciation is forcing companies to think twice about important financing plans

The Malaysian dollar's recent decline against its US counterpart has proved more than a headache for many of the country's companies, forcing some to put important financing plans on bold and cut back on capital expenditure.

Since early July tbe Malaysian dollar has fallen about 10 per cent against the US currency, pushing interest rates up, stock prices down and sowing a sense of caution throughout the economy.

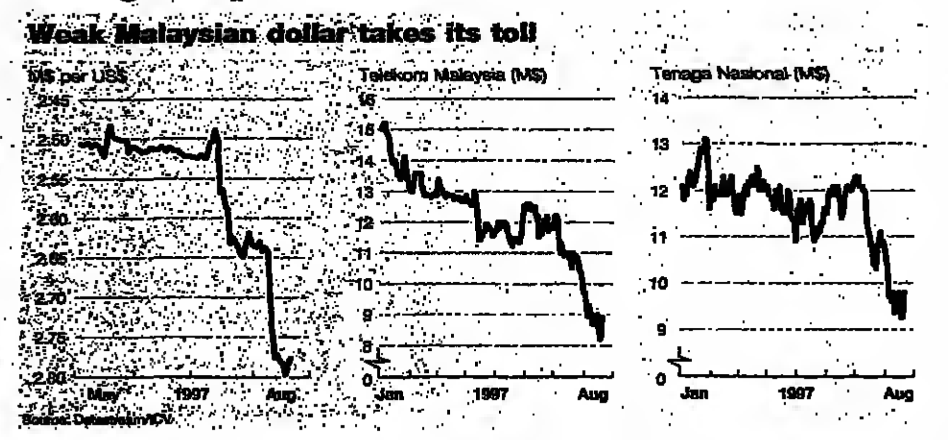
Particularly vulnerable to the sinking dollar are manufacturers that are heavily reliant on imported components and companies which have raised a significant amount of debt overseas.

Tenaga Nasional, the semi-privatised power utility, is set to incur big losses on foreign exchange transactions because of its debt, said Khairunnizam Naharudin, head of the company's investor relations unit.

These losses have affected corporate planning, he says. Tenaga is now aiming to cut capital expenditure significantly, with only crucial infrastructure projects being pursued. Others will be deferred until the outlook has stabilised.

Tenaga's total borrowings as at February 28 were US$4.06bn, of which 54 per cent was in Malaysian dollars, 33 per cent in US dollars and 10 per cent in yen.

Weak Malaysian dollar takes its toll



In addition, another US$800m yankee bond was issued on April 24 this year.

Morgan Stanley Dean Witter, the brokeraga bouse, predicts that Tenaga's foreign exchange losses will be M$202m (US$72.7m) in 1997 and M$435m in 1998 – considerable amounts wben compared with the company's net profit of M$797m for the 1996 financial year.

Telekom Malaysia, the former telecoms monopoly, is also exposed to foreign borrowing. The company indicated that its plans to take a stake in Telekom SA, the South African telecoms company, have been complicated by the Malaysian dollar's slide. It had planned to issue a US$350m bond to belp finance the purchase of the stake, but may now consider alternative means of finance.

Telekom has issued a US$360m eurobond and a US$500m Yankee bond, and says it is setting up bedging operations. Standard and Poor's, tbe credit-rating agency, this week downgraded Talekom Malaysia's long-term foreign currency rating from positive to stable, the company says.

Petronas, the state oil and gas company, was also downgraded by S&P from positive to stable. The company has issued US$3bn in US dollar-denominated bonds overseas but derives more than 90 per cent of its revenues from domestic sources in Malaysian dollars.

Standard and Poor's expects Malaysia's real gross domestic product growth to slow to about 7 per cent in 1997 – compared witb an official forecast of 7.8-8.2 per cent – and to 6 per cent in 1998. But it added that private-sector indebtedness is so high (total credit amounts to about 170 per cent of GDP) that even such a moderate fall-off in growth could have burt the financial sector.

Consumer spending is expected to drop during tbe second half of this year, possibly hitting car sales and compounding the problems whicb Proton, the national car maker, is already facing through the increased cost of engine imports from Japan.

Saleb Sulong, Proton chairman, said recently that earnings this year would grow but would not match the 126 per cent jump in group pre-tax profits to M$1.03bn in tbe year to Marcb 31 1997.

He said 20 per cent of Proton's costs were denominated in yen and that the Japanese currency bad appreciated sharply against tbe Malaysian dollar this year.

Malaysian Airline System is expected to see earnings affected this year by the increased cost of fuel, which is bought in US dollars. But potentially more damaging is the possibility that a proposed rights issue, aimed at raising M$1.77bn to help buy new Boeing airliners, may be postponed because of tbe stock market's poor performance. The company bad planned to buy seven Boeing aircraft before Marcb 31 1998.

The stock market decline, which has seen more than M$160bn in stock value erased since tbe start of the year, has raised a bost of other corporate problems.

The acquisition of a 29.35 per cent stake in Malaysian International Shipping, the nation's top sbipping company, by Konsortium Perkapalan, a transport company run by tbe eldest son of the prime minister, Mabathir Mobamad, has been stalled by the fact that tbe offer price is now far below the price paid for the stake in 1994, the company said.

The moribund stock market is also delaying many large infrastructure projects in the country. The failure of a rights issue by Ekran, the company managing the construction of the M$13.6bn Bakun dam, has been one of the main reasons for numerous delays in its construction.

James Kynge

Sarmiento group in $103m takeover

By Adam Thomson in Bogota

The Luis Carlos Sarmiento Angulo Organisation bas consolidated its position as Colombia's leading banking group in a $103m deal to purchase a majority share to Ahorramas, one of the country's eight savings and loans corporations.

The group bought 109.8m ahares, about 55 per cent of Ahorramas, at 1,032 pesos a share in a deal forged on the country's three atock markets. It also bougbt 4.8m convertible bonds in the savings and loans corporation for the same price.

Ahorramas, formerly beld by a group of local businessmen, posted first-half profits of 8.5bn pesos ($7.74m) this year, a rise of 65 per cent on the same period last year.

Analyats say tha Sarmiento group's latest acquisition forms part of a strategy to buy up a number of laading Colombian high street hanks and lending institutions in order to see off competition from Spanisb banks entering the market.

"Competition in the banking sector is going to be abont size from now on," said one broker involved in the deal. "Sarmiento is trying to widen his client base to meet the challenge from the new foreign players," he said.

Following last year's entry into the Colombian banking sector by tha Spanish banks Banco Bilbao Vizcaya and Banco Santander, the Lnis Carlos Sarmiento Angulo Organisation acquired 80 per cent of the former government-owned hank Banco Popular for $272m.

Mr Sarmiento has built up bis organisation into the country's biggest financial group, controlling 25 per cent of the financial services sector by assets. Analysts believe the gronp's next move will be to merge Ahorramas with Las Villas, another savings and loans corporation already in its possession.

Last year, the Luis Carlos Sarmiento Angulo Organisation posted profits of $501m.

Qantas in line with forecasts

By Elizabeth Robinson in Sydney

Net profits at Qantas, the Australian airline, edged up 2.6 per cent to A$252.7m (US$187.5m) in the year to June 30, in line with expectations.

Tbe company, 25 per cent-owned by British Airways, said the result was achieved io a "very competitive" climate and warned that tough trading conditions would continue in tha current year.

The profit figure included an abnormal loss of A$17.2m relating to staff cuts and the writedown of aircraft fittings ahead of a A$550m revamp.

Gary Pemberton, chairman, said revenue growtb "is likely to be modest and fuel prices are anticipated to remain relatively high". He forecast "a small improvement" in profit, which one analyst called "conservative".

Revenues rose 3.1 per cent to A$7.8bn as higher sales in the domestic market and Europe were dragged down by a 21 per cent fall in Japan.

James Strong, chief executive, said tbe growtb reflected Qantas's aggressive marketing campaigns which led to an 8.1 per cent rise in the number of international passengers. The New Zealand and Japanese routes suffered losses because of price cutting in the face of strong competition in a slow market.

"It's not just us suffering in Japan," said Mr Strong. "There has been deterioration in the profit for everyone." He blamed increased capacity in the market, whicb put more pressure on prices, as well as tbe strengthening of the Australian dollar against the yen.

He added that more than 90 per cent of the revenues on these routes were in yen, reflecting tbe imbalance between the numbers of Japanese travelling to Australia and Australians flying to Japan.

Domestic operations lifted their contrihntion 2.9 per cent to A$168.3m, bnt passenger yield fell 6 per cent. Qantas said the Asian markets were under the greatest pricing pressure, although China was a growth area for the airline. On August 14 Qantas added its fourth weekly flight to China.

Earnings per share slipped from 24.2 cents to 23.6 cents, and Qantas sbares rose 5 cents to A$3.06.

Cuts strengthen Tsingtao results

By James Harding in Qingdao

Tsingtao Brewery, tbe maker of China's most famous beer, will next week announce a modest improvement in sales and a marked increase in profits for tbe first half of the year.

Li Guirong, Tsingtao chairman, said in an interview yesterday that "a comparatively strong rise in profits has come from tougbar management", which bas imposed rigorous cost controls and cut several hundred jobs.

Tsingtao, the first mainland Chinese company to list on tbe Hong Kong stock exchange, has consistently disappointed international investors, reporting declining profits year-on-year since its listing in 1993. Shareholders also criticised former management for failing to use proceeds from the share issue for expansion.

The company revived investor Interest last month, when it announced a restructuring that would establish a new holding company backed by the Shandong provincial government, creating the possibility that the local anthority might inject lncrative assets into tbe gronp while removing unprofitable operations.

Mr Li, a former bead of the local State Planning Commission wbo took over as chairman in a management resbuffle last year, gave llttla suggestion of any immediate injection of state assets.

The reorganisation will guarantee Tsingtao some "favourable treatment" from the government, he said, indicating the company would be invited to buy or merge with defunct state hreweries on attractive financial terms. "At tbe moment the plan is to concentrate on the beer buslness or areas related to it."

The Bank of China, the state-owned commercial bank, yesterday signed a Ynlbn ($121m) loan to Tsingtao, part of its efforts to support leading Chinese state enterprises, it said.

The Chinese market for high-end beers has heen awamped by foreign brands. While Tsingtao intends to "strengthen its sbare of that market", Mr Li said, "it is now time to attack the market for low price beer – ordinary people drink about 15m tonnes of low price beer, more than 90 per cent of the total".

CME first-half losses widen

By Kevin Done, East Europe Correspondent

Net losses at Central European Media Enterprises (CME), the leading commercial television company in central and east Europe, more than tripled to $41.82m in tha first half from a loss of $12.38m a year earlier.

CME – which is controlled by Ronald Lauder, one of the beirs to the Estéa Lauder cosmetics fortune – was forced to make a write-down of $25.24m on its loss-making regional talavision operations in Germany in the first six months.

The biggest setback was the $20.7m write-down of its investment in Puls, tbe group's 58 per cent-owned station in the Berlin-Brandenburg region, which filed for bankruptcy in May.

CME, whicb is listed on the Nasdaq excbange, sufferad a $4.6m foreign exchange loss in the period after the devaluation of the Czech koruna, the Romanian leu and the Slovenian tolar against the US dollar. It continues to incur heavy costs for the development of new stations.

In order to finance further expansion in east Europa, the group is negotiating a three-and-a-half-year, $35m secured revolving credit facility with ING Bank of the Netherlands.

Earlier this week it closed its debut issue of $176m of seven-year high-yield US dollar and D-Mark bonds. The issue was two-and-a-half times over-subscribed. It abandoned a planned $125m convertible bond issue in April following a steep fall in its share price.

CME, which already bas television operations in the Czech Republic, Romania, Slovenia, Slovakia, Ukraine and southern Poland, said that proceeds from the issue would be used to fund the development of new broadcasting operations in Hungary, the Balkan and Baltic regions, and certain countries of the Commonwealth of Independent States.

The US group, which has pioneered private terrestrial commercial television in central and east Europe, is planning to launch a national commercial network in Poland on October 3. CME said TVN Network would initially reach 60 per cent of the 38.6m population, rising to 85 per cent within two years.

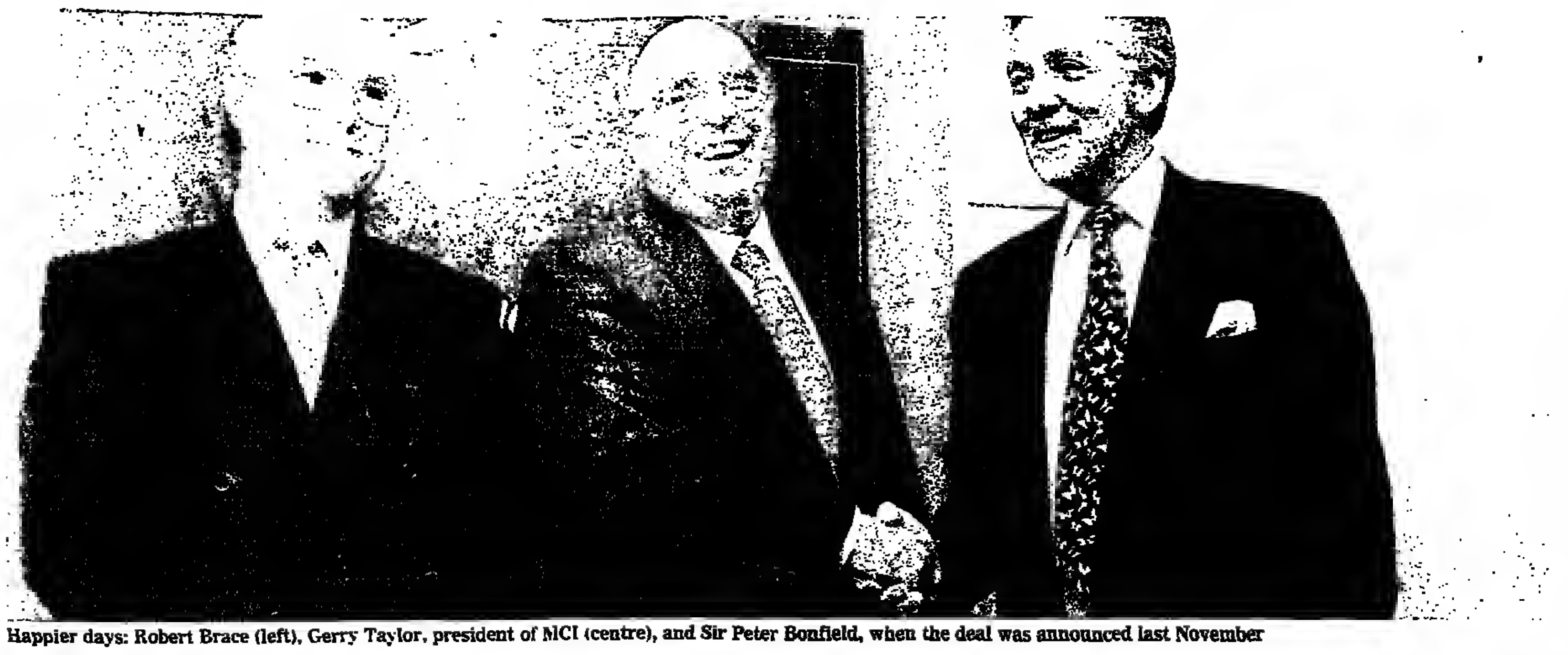
TVN will operate through a joint venture called Federacja, which will be owned 50 per cent hy CME and 50 per cent by ITI, the Polish media group. CME is planning to invest about $40m.

The gronp bolds an additional 5 per cent indirect bolding in TVN Network through its 10 per cent stake in ITI Media Group, the suhaidiary through whicb ITI holds its 50 per cent stake.

In spite of the continuing heavy losses, Leonard Fertig, cbief executive, said the group was "well-poised to continue its rapid growth".

Second-quarter turnover increased 40 per cent to $54m from $38.6m last time. CME said it now operated the top-ranked stations in five countries and had gained more than 60 per cent of television advertising expenditures.

THE BT/MCI DEAL



Happier days: Robert Brace (left), Gerry Taylor, president of MCI (centre), and Sir Peter Bonfield, when the deal was announced last November

A tale of doubt, fear and uncertainty

Alan Cane charts the tortuous course of the merger negotiations between the two telecoms companies in the wake of MCI's warning on potential losses

Doubt, fear and uncertainty have marked the progress of British Telecommunications' plan to take over MCI ever since the US company warned six weeks ago that potential losses in its attempt to break into local telephone markets would be substantially higher than anticipated.

There was doubt that MCI was worth the premium BT was prepared to pay; fear that the terms of the deal might prove impossible to revise; and uncertainty over whether the deal would go ahead at all.

Yesterday's statement that the two companies were "having discussions concerning the economic terms of their existing merger agreement" is virtually the first since MCI flagged its warning, and it has done nothing to clear the air.

The two companies have done little to help dispel the uncertainty. BT has refused to discuss the review it is conducting of MCI's business operations. The review, masterminded by Sir Peter Bonfield, chief executive, and Robert Brace, head of operating alliances, has involved a taskforce of BT senior executives working in the US over the past six weeks.

On one argument, as it has told nobody anything of consequence, it cannot be accused of misleading the market.

MCI, on the other hand, has repeatedly said that renegotiation of the terms was not an option. On the face of things, therefore, BT would seem to have forced its potential US partner to back down and accept that some renegotiation of the merger terms may be necessary if the deal is to go ahead.

Those who had been hoping the UK company would abandon the deal will have been heartened by the companies' observation that "there can be no assurance as to the outcome of the discussions". This follows several days of media reports that the deal was expected to be concluded on the original terms.

It is likely, however, that the bald words conceal a less apocalyptic outcome. Companies have a fiduciary duty to their shareholders and a legal obligation to inform the market of substantive developments.

Announcing BT's first-quarter results at the end of last month, Sir Iain Vallance, BT's chairman, made it clear that the review would be a thorough analysis of all aspects of MCI's business, the implication being that the financial terms of the deal would be included.

There are no legal provisions for a renegotiation of the deal's terms, unless both parties agree voluntarily, or unless there is a material adverse change in the circumstance of one of the parties.

MCI has made it plain it believes no such change has occurred. BT's instigation of the review, due to be completed by the end of the month, indicates it believes, at the least, that there is cause for concern.

It follows that BT has a fiduciary duty to its shareholders to approach MCI with a view to renegotiating the terms in the light of MCI's deteriorating prospects. To fail to do so could open the company to legal action from disgruntled shareholders arguing that BT's management had failed to do all it could to secure the best deal.

Yesterday's statement, therefore, could be seen simply as concordance with market rules on dissemination of price sensitive information.

MCI could, of course, simply refuse any form of renegotiation. It has a ferocious reputation for litigiousness and could spend several years taking BT through the courts to defend its argument that there has been no material adverse change in its circumstances.

The US company, however, seems to have little stomach for such a battle at this time and may be prepared to accept a modest renegotiation – US analysts are suggesting a 10 per cent or so change.

Various devices could be used to expedite such a change without the need to go to shareholders a second time for approval. These could include a special dividend for BT shareholders or a share buy-back.

MCI is clearly anxious to complete the transaction with as little delay as possible. It put powerful pressure on the Federal Communications Commission, the principal US regulator, to approve the deal.

This last regulatory hurdle was passed yesterday. Reed Hundt, the FCC chairman, had already indicated the deal had his blessing. In the past few week, MCI executives made a number of concessions to help speed up the approvals procedures.

Critics argue, however, that MCI is anxious to conclude the deal as quickly as possible because of the deterioration of its business – not only the increasing cost of breaking into local markats but a decline in the growth of its core long distance business.

MCI remains the second largest long distance operator in the US. Its repntation is based on the aggression and innovation with which it took market share from AT&T, the largest long distance operator in the 1980s.

But the long distance market is becoming increasingly a commodity business, marked by slow growth and low margins. Long distance calls still account for about 90 per cent of MCI'a revenues.

A US analyst said yesterday: "When MCI went up for sale, we knew it was over. What we did not know was how much it was over."

One BT shareholder argued that the UK company could walk away from the deal by asking its bankers to argue that the original terms of the merger were no longer fair to shareholders. "After all, MCI will still be there is a few months. It is not going anywhere."

Others disagree. A recent report from Salomon Brothers, the US investment bank, argued that MCI's strategy "along with the BT merger" put MCI in a strong position. It and WorldCom had moved ahead of all other carriers "as a premier supplier of business voice, data, Inter-/intranet services on a global basis".

'Wild day' puts investors in spin

By Tracy Corrigan in New York

"It's been a wild day," summed up one US analyst. News of a renegotiation of the economic terms of the merger of MCI Communications and British Telecommunicatinns reached some MCI shareholders over breakfast while others were woken by calls from London in the early hours.

Many MCI investors said yesterday they were more confused than ever about the possible outcome nf the planned merger, which most US investors had felt would proceed at the nriginal price set last Nnvember, though with a restructuring plan for MCI to reduce the negativa impact on BT of MCI's declining earnings.

"People are confused. It's an incredibly complex situation. It's very prohlematic to see BT renegotiate this," said one US analyst, adding it could mean four tn five months nf price talks, sharehnlder vntes and submissions tn regulators. Bnt mnst analysts and investors said yesterday they now expected some reduction in price, coupled with changes to MCI'a business plan.

Cnnfusion peaked when PR Newswire, which carries US company news, accidentally released a joint statement from BT and MCI welcoming approval of the merger by the Federal Communications Commission, instead of an MCI statement on toll-calling in Virginia. In fact, the FCC gave its approval shortly afterwards.

There was little consensus about the likely scale of any price change. Dan Reingold, the Merrill Lynch analyst who has been consistently hearish nn MCI, said he expected the price to be cut by 15-25 per cent, pointing out that earnings expectations for MCI had slipped 47 per cent since the merger was agreed because of problems in its long distance and local businesses. He expects MCI to earn $1.05 per share in 1998, against $2 at the time of the agreement.

Of the 95 cent reduction, Mr Reingold estimates that 35 cents results from weaker long distance earnings and 60 cents from its difficulties in entering the lncal market. Hnwever, he believes that abont half the decline in local markets could be regained hy "imposing tighter hudgeting and controls".

Other analysts still believe there will not be a substantial rednction in the price nf the merger.

"Any reduction in price will be minor," argued Blake Bath, analyst at Lehman Brothers. "Five per cent is minnr. Otherwise, MCI should walk away."

Go-ahead subject to competition safeguards

By Mark Suzman in Washington

The BT/MCI merger cleared its final regulatory hurdle yesterday when the US Federal Communications Commission, the country's chief telecommunications regulator, formally approved the deal subject to a series of conditions to enhance competition in the US and UK markets.

The decision had been widely expected on the grounds that BT's entry into the US market would promote healthy competition, but approval had heen delayed in part due to concerns ahout the openness of the UK market for other operators.

However, MCI this week told the regulator that BT was now prepared to offer "carrier-pre-selection" allowing customers to stipulate a non-BT long-distance carrier in the UK market without requiring special access codes.

MCI also agreed that the FCC could take "enforcement action" against it if BT fails to comply with the regulations. This was a concession the Commission said was critical in its decision to let the deal proceed.

"In approving the merger, the Commission relied on the fact that the US-UK route is one of the most competitive in the world hecause of substantial liberalisation and deregulation of the US and UK telecommunications markets," the FCC said in a statement. "Competition on the US-UK route will set a standard for the world."

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COMPANIES AND FINANCE: UK

WH Smith rejected Virgin offer for unit

By Christopher Price

WH Smith, the UK retailer, has rejected a £135m ($220m) offer from Virgin Group to take full control of the Virgin/Our Price record chain, Richard Branson's private company already owns 25 per cent of the joint-venture formed in 1994.

News of the offer comes just days after Smith confirmed that several large investors had asked it to consider a break-up, a move which would have involve the sale of some of the UK's best-known brands, including Waterstone's, and its high street chain.

The disclosure will also put further pressure on Smith's management. The group, which has still to appoint a new chief executive, is due to report final results on Wednesday.

Virgin's offer for Smith's stake is understood to have been made three months ago in a letter to Bill Cockburn, chief executive of Smith who resigned in June. It is understood that Mr Cockburn rejected the offer as inadequate.

But analysts yesterday expressed surprise given that most brokars' valuations of the record business fall short of the Virgin offer. "Our Price is a dull business in a terrible market," said one who valued Smith's shareholding at little more than £100m. "Cnckburn should have sold."

Virgin/Our Price was formed in June 1994, when Smith's record chain was merged with Virgin's music retailing business.

Last year, the division made operating profits of £16m on sales of £444m. However, amid the competitive market conditions, analysts are forecasting profits to fall to about £12m.

The division's 53 Virgin stores and 262 Our Price outlets accounted fnr 14 per cent of group profits in 1996.

One reason Mr Cockburn is likely tn have rejected the Virgin offer is that Smith has an option to buy Virgin's stake in 1999 at a price equal to nine times the division's earnings.

Analysts estimate this would bring the valna of the business down from Virgin's £180m for the entire business to about £130m.

Meanwhile, all the candidates for the chief executive post – fnur internal and five external – have been interviewed and the company's nominations committee is drawing up a short list.

However, the issue has been further clouded by internal wranglings, with one senior director canvassing a break-up of the company as part of his campaign to get the top slot.

Both Smith and Virgin refused to comment yesterday.

Sluggish Speed 2 dents Fox films

Christopher Parkes takes stock of a disappointing year for News Corp's movie maker

When News Corporatinn's end-of-year numbers came up this week, they showed once again how bold bets do not necessarily spell big returns in the grand lottery of the film market.

A fnurth-quarter loss at the film studios of A$140m ($104m) – reflecting the crash-and-burn bnx nffice performance of *Speed 2: Cruise Control* and *Volcano* – left 20th Century Fox's full-year profits 8 per cent adrift of the 1996 outcome.

The results were all the more disappnінting in the light of a 35 per cent leap in annual revenues, thanks to successes with *Independence Day*, the rerelease of the *Star Wars* trilngy and tbe relatively low-budget *Romeo and Juliet*.

Despite releasing 13 films in the first seven months of the current year, compared with nine in 1996, Fox has seen its share of US box office takings alip 2 percentage points tn 11.3 per cent.

Box office gross

Studio	1997	1996
Sony	896	323
Buena Vista	595	763
Universal	516	383
Fox	431	475
Warner Bros	398	545
Paramount	383	369
New Line	242	118
Miramax	220	130
MGM	30	256

* Figures in $m for calendar year from Jan 1 to August 3. Source: Variety

Volcano suffered in part because Universal's eruptive epic, *Dante's Peak*, was released a few weeks earlier and apparently aated the andience's appetite for lava.

Speed 2, which is estimated tn have lost about $70m, was swept away in the early summer rush of releases which included *The Lost World*, *Batmon & Robin*, *Con Air* and *My Best Friend's Wedding*.

For the rest of this year, Fox is hoping to scare up a profit from a Sigourney Weaver sequel, *Alien Resurrection*; *Anastasia*, its first stab at feature-length animation; and *Titanic*, the most expensive film on record.

With more than $200m invested in prnductinn or earmarked for spending on marketing, Fox and Paramount, its production partner, face an extraordinary challenge.

Merely to break even, according to the industry's rough guide to profitability, *Titanic* will have to take $400m at the US box office during a run scheduled to start just before Christmas.

This is as mnch as *Air Force One* and *Men in Black* – the summer season's twn biggest hits – have earned together. It is significantly more than the $306m that *Independence Day* grossed at tbe US box office.

But while Fox executives will be glad to see the back of 1997, they can draw some consnlatinn frnm tbe fact that contrary to most predictions of a bloodbath, the US summer season can be judged a success fnr the industry at large.

US cinema ticket sales for the year so far are 8 per cent up on 1996 – even though no film has come close to matching *Independence Day's* recnrd-breaking take of last year. A record 10 summer releases have exceeded or are set to top $100m.

Although nverblown budgets remain a concern, the market has grnwn against all expectations, and despite its recent disappointments, Fox is still ranked fourth in terms nf share.

The Japanese-owned Sony Pictures, one of Hollywood's most consistent also-rans, is current league leader, with films that have grossed more than $900m this year – almost three times the previnus year.

Action stations: Speed 2 is estimated to have lost 20th Century Fox abont $70m

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Lloyd's	Yr to Mar 31 ★	60.7□	(64.3□)	3.87	(1.3)	8.47	(3.47)	6.45	Oct 7	2.02	6	3.57
Bulgin (AF)	6 mths to July 31	9.9	(10.2)	0.527	(0.405)	1.25	(0.96)	0.25	Dec 1	-	-	0.5
CFS	6 mths to June 30	3.7	(1.75)	0.252	(0.026)	2.5†	(1.6)	-	-	-	-	1.1
Clarke (T)	6 mths to June 30	25.2	(25.6)	1.1	(0.58)	5.79	(2.94)	2.035	Sept 15	1.628	-	4.884
Clondalkin ♣	6 mths to June 30	183.9	(133.1)	11	(8.93)	19.51	(15.36)	2.636	Oct 10	2.396	-	6.6
Halifax	6 mths to June 30	-	(-)	802	(649♠)	21.2	(17Ŧ)	-	-	-	-	-
Johnson Fry	6 mths to June 30	14.1	(17.1)	4.71♥	(1.49)	34‡	(7.2)	2	Nov 28	2	-	4
Quarto	6 mths to June 30	32.6	(30.9)	0.521	(1.58)	0.1	(4.3)	2.2	Oct 24	2.2	-	6
Ulster Television	6 mths to June 30	17	(17.1)	3.64	(4.67♥)	4.68	(5.95)	2.5	Oct 1	2.25	-	5.1
Whinney M-Lewis	Yr to Apr 30	3.33	(2.49)	0.109L	(0.16♥)	1.6L	(2.4)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Inc Growth	6 mths to July 31	186	(170*)	5.03	(5.98)	3.14	(3.73*)	1.95	Sept 29	1.91*	-	5.78*
English & Scottish	6 mths to July 31	203.3	(187.3♦)	3.73	(3.62)	2.31	(2.25)	0.95	Oct 16	0.95	-	3
Group	6 mths to June 30	61.3	(62.7)	0.548	(0.369)	1	(0.7)	0.33	Oct 30	0.33	-	1.5
I&S Optimum Inc	6 mths to July 31	117.07	(-)	0.83	(-)	2.36	(-)	-	-	-	-	-
Siam Selective	Yr to Mar 31	107	(189)	0.174L	(0.108)	0.6L	(0.4)	-	-	-	-	0.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★ Comparatives restated. □ Gross premiums written. ♣ Irish currency. ♠ After exceptional charge. ♥ After exceptional credit. † On increased capital. ‡ On reduced capital. Ŧ Pro forma. Φ AIM stock. *After adjustment for scrip issue. ♦ At January 31.

Maid considering US buy

By Krishna Guha

Maid, the business information company, yesterday confirmed it was in exclusive talks to buy Knight Ridder Information, a subsidiary of the Miami-based publisher. If the purchase came off, it would double Maid's size.

Michael Mander, chairman of Maid, said the proposed deal would "give us the potential to go right to the top" of the business information market. An announcement would be made "in a matter of weeks".

Mr Mander admitted the move was "ambitious". Maid's market capitalisation, about £220m ($360m), is less than the price tag on Knight Ridder's information division – believed to be more than $500m.

Last year, Maid's turnover was only £21m – compared with Knight Ridder's £285m sales. While Maid is growing fast – turnover is forecast to double this year – it made an operating loss of £1.7m in the six months to June.

Mr Mander said there was a "clear logic" to the deal. It would marry Knight Ridder's huge database with Maid's high technology distribution – including the ability to deliver business data over the internet.

"Our strengths and weaknesses dovetail perfectly," he said.

Maid would view the acquisitinn as "a merger rather than a takeover," he said. Existing Knight Ridder executives would take senior positions in the new group.

Analysts voiced concern that Maid had bitten off more than it could chew. "There is a danger that Knight Ridder will swamp Maid's dynamic culture," said Keith Woolcock, technology analyst at Merrill Lynch." But he said investors were waiting for Dan Wanger, Maid's chief executive, to pull off a big deal of this kind.

Mr Mander said the acquisition would be financed with "more debt than equity" to ensure it is "earnings enhancing in the first full year."

The company hopes to use Knight Ridder Information to win critical mass in the US – the world's biggest market for business information and the biggest internet market by far.

It also hopes to expand in Japan and in continental Europe.

Halifax seeking acquisitions

By Christopher Brown-Humes

Halifax, which became an £18bn ($29bn) bank in June, said yesterday it had £3.5bn of surplus capital and was looking for acquisitions to support diversification.

The group, which reported an 8.8 per cent rise in interim pre-tax profits to £802m, said purchases would speed up plans to develop its non-mortgage and savings operations.

It aims to derive one-third of earnings from non-traditional areas, such as banking, consumer credit and insurance, in four to five years time, compared with 25 per cent today. After 10 years, it wants 50 per cent of profits from the newer areas.

Mike Blackburn, chief executive, said high prices for financial services groups could thwart its acquisition plans. "But we have no philosophical hang-ups abont returning capital to shareholders," he stated.

Analysts believe the group would most like to expand its life insurance and fund management businessea, building on its £800m purchase of Clerical Medical last year. This would enabla it to exploit the fast-growing long-term savings market at a time when the mortgage market is relatively mature.

But some analysts believe the society could go for another building society – without attracting competition concerns – because of tha large cnst savings it could make. It is the country's leading lender with 20 per cent of the market.

Analysts aay the group may have only six months to make an acquisition before it cnmes under intense pressure to return mnney to shareholders, possibly by way of a special dividend.

Robin Down, bank analyst at ABN Amro Hoare Govett, said: "The longer they wait to do something, the more desperate they will get to come up with a wonder deal, and the more worried the market will get that they will overpay."

Marks and Spencer expands in Germany

Marks and Spancer yesterday announced plans to step up its expansion in Germany with the opening of three stores, scheduled for autumn next year.

The mave follows the opening of the retailer's first outlet in Germany, in Cologne, last October.

The three stores, in Dortmund, Essen and Wuppertal, will take M&S'a total space in the country above 200,000 sq ft.

Keith Oates, the deputy chairman, said the expansion "brings greater scale to our German business and takes us another step closer to our goal of being a leading international retailer."

Ha added: "The stores are in first-class locations in key towns of the Rhine-Ruhr area, facilitating their integration into our existing distribution network."

M&S's original research into Germany identified Rhine-Ruhr as an important target in its drive to establish itself in Europe's largest market.

The company will take possasaion of the stores, which are currently operated by Cramer and Meerman, next March. They range in size from 40,000 sq ft tn 60,000 sq ft and will stock clothing, home furnishings and food.

Derek Hayes, executive director responsible for continental Europe and the Middle East, said the company had been "delighted" with the response from the people of Cologne to its formula.

M&S has a total of more than 1.5m aq ft of space across 36 wholly owned and 55 franchised stores in Europe, excluding the UK.

In the last full year the company made pre-tax profits of £38m ($62m) in continental Europe on turnover of £552m.

Corporate Services in French deal

Corporate Services Group, which snpplies contract labnur and training services, is expanding its employment services division, with the acquisition of Regie Inter Finance for up to FFr250m ($40.4m).

RIF is one of the largest suppliers of tamporary employees to a blue chip client base in the French industrial and technical sector. The company has 58 branches in France and 3 in Spain. In 1996 pre-tax profits, after owner's drawings, were FFr18.1m on revenues of FFr656m.

Tha initial price of FFr200m will be met by the issue of 10.61m new ordinary shares in CSG, of which 5.36m have been placed on behalf of the vendor at 188p each. In addition, a cash placing of 2.64m new shares at the same price will raise some £5m.

INTERNATIONAL CAPITAL MARKETS

Prices lower in listless trading

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Government bond markets ended lower in a listless session yesterday with a scarcity of market-moving developments and a weaker start to trading in US Treasuries weighing on investors.

The Bundesbank's decision to leave German interest rates unchanged was almost universally expected and elicited no response in bunds or other European bonds. However, the bank's move to a weekly securities repurchase (repo) rate suggested it was willing to see further uncertainty over its interest rate strategy while the D-Mark continued to weaken against the dollar.

US TREASURIES moved lower in thin early trading. By midday the benchmark 30-year Treasury bond had fallen $\frac{1}{4}$ to $97\frac{7}{16}$, sending the yield up to 6.557 per cent. The two-year note was down $\frac{1}{16}$ to $99\frac{15}{16}$, yielding 5.890 per cent, and the 10-year note was $\frac{1}{16}$ lower at $98\frac{15}{16}$, yielding 6.261 per cent.

"The market is consolidating in a broad range, and we shouldn't see big price rises until at least early September," said David Ging, strategist at Donaldson, Lufkin & Jenrette in New York.

The morning's main news release was the monthly regional business outlook survey by the Philadelphia Federal Reserve Bank. Its report cited increases in new orders, shipments and employment for the region's manufacturers. Some 79 per cent of firms polled reported that final prices for their goods were steady.

"The report was a bit better than expected, but the market didn't follow through," Mr Ging said.

In other naws, jobless claims for the week ending August 16 increased by 20,000 to 337,000.

The weaker US tone confirmed the downward drift in the main European markets, which shrugged off the news from the Bundesbank.

GERMAN BUNDS, which had been weak in the run-up to the meeting following data supporting the case for higher interest rates, closed in subdued form with the outlook still not clear.

The Bundesbank's switch to a weekly repo "was designed to cauee uncertainty and to that extent is successful", said one European bond watcher. "It is a shot across the bows for the foreign exchange markets."

The September bund futures contract settled 10 basis points lower at 102.63.

In Paris the notional September futures contract on **FRENCH BONDS** eased a fraction in sympathy, settling 2 points lower at 130.12.

One reason the D-Mark is weak against the dollar is because of perceptions of a weak euro, which is generally taken to mean a euro that includes Italy.

ITALIAN BTPs have benefited from the convergence play surrounding hopes of Italian participation in the single currency. This is the main factor that has driven the spread of BTPs over bunds down this year. Yesterday it was 98 basis points.

David Lee and Andrea Pastorino, economists at ABN Amro Hoare Govett, said they expected the 10-year spread to narrow to 85 points in the next month if German rates stay unchanged, credible pension reforms are agreed, and public finances remain in good order.

It has again been the case this week, with the lira stronger against the D-Mark, although the picture has been clouded by uncertainty over German interest rates. Higher German rates would be as negative for Italy as for Germany, analysts say.

BTPs continued to do well again yesterday, although they were forced to give up early gains after the Bundesbank meeting and ended lower in line with other markets. The September futures contract settled 17 points lower at 136.55, having traded as high as 136.95.

The main Italian cities were due to begin reporting the most recent inflation indications for August after the close of trading, but analysts expected no surprises on that front, with Italian inflation seen to be under control.

SPANISH BONOS, seen as having less of a convergence premium than Italian BTPs, settled 24 points lower at 117.33 in a quiet session. Analysts said the market was closely watching the Bundesbank's announcements on interest rates for signs of whether the Bank of Spain might be able to cut rates.

UK GILTS headed downwards in a tight range after the release of revised data for second-quarter economic growth, which showed that gross domestic product expanded by 3.4 per cent. Meanwhile, the Confederation of British Industry warned that the soaring pound had pushed exports to a five-year low.

The September futures contract settled $\frac{3}{32}$ lower at $114\frac{15}{32}$ in thin volume, pushed lower partly by profit-taking after recent highs.

Saxony Anhalt to issue eurobond

By Edward Luce

Saxony-Anhalt is to become the first German federal state to issue a eurobond over the next two weeks when it comes to the market with a DM1bn deal. The bond, which will receive a maturity after consultation with investors, is intended to boost the state's profile among the European investor community in advance of European monetary union in January 1999.

However, Mr Axel Göhl, head of credit management at the ministry of finance in Saxony-Anhalt, which issues about DM5bn annually in the domestic market, said the bond was technically not a eurobond because it would not "gross up" coupon payments for tax purposes.

"In every other respect this is a eurobond," be said. "Wa have fixed re-offer on the pricing, just two book-runners as opposed to the large numbers we normally get in Germany and all the other features normal in a eurobond."

Saxony-Anhalt is also breaking new ground as the first soveraign or quasi-sovereign German entity formally to request a credit rating from one of the two New York-based credit rating agencies.

Other German states and the German government have been awarded unsolicited ratings by the agencies. The move is believed to have sparked some controversy in Germany, where the federal statea rely on their reputations alone.

The bond, which will be lead-managed by Deutsche Morgan Grenfell and ABN Amro, bas been marketed across Europe.

CAPITAL MARKETS NEWS DIGEST

ISDA warns on euro strategies

The International Swaps and Derivatives Association, an industry body for the global swaps and derivatives market, warned yesterday that more progress needed to be made in preparing financial markets for the legal and practical implications of the advent of the European single currency. ISDA said that much work had still to be done by some European central banks in preparing strategies for the transition from national currencies.

It also warned that the legal situation surrounding the proposed "euribor" interest rate – due to replace many national interbank offered rates with the advent of the euro – was still unclear, while there was continuing uncertainty about how euribor was to be structured.

Matthew Elderfield, ISDA European policy director, said the association needed to know which central banks would continue to use national rates and which would be using euribor. ISDA has asked central banks to complete details of their euro strategies by the end of September.

Vincent Boland

■ CREDIT RATINGS

IBCA downgrades Thai banks

IBCA, Europe's leading credit rating agency, yesterday downgraded six of Thailand's leading commercial banks, citing the recent turmoil in the Thai financial system. The downgrade, which does not affect the banks' long-term foreign currency debt, is on IBCA's individual ratings which it exclusively assigns to banks. The separate rating category is designed to go beyond the sovereign rating ceiling which often constrains banks from receiving a higher rating than their government.

Under yesterday's move, Bangkok Bank was downgraded from B/C to C, Krung Thai Bank from C to C/D, Thai Farmers Bank from B/C to C, Siam Commercial Bank from B/C to C, Bank of Ayudhya from C to C/D and Thai Military Bank from C/D to D.

IBCA cited the "dramatic slowdown in the country's economic growth rate", with forecasts of between 1 and 3 per cent in the next two years.

Edward Luce

■ FRENCH DEBT

Cades levy raises FFr21.1bn

The Caisse d'Amortissement de la Dette Sociale (Cades), the French government agency created to manage the accumulated debt of the social security system, raised FFr21.1bn in its first year of operations through a special 1 per cent levy on all French incomes, just short of initial forecasts of FFr21.5bn at the time of its creation last year.

The agency said its cash-flow forecasts suggested it should be able to achieve its objective – to reimburse FFr140bn of accumulated debt over a period of 13 years and one month – as its net debt would have been absorbed by 2008.

Vincent Boland

Denmark offers seven-year deal

INTERNATIONAL BONDS

By Edward Luce

The Kingdom of Denmark, Scandinavia's most prolific sovereign borrower this year, yesterday continued its preference for unusual maturities witb a seven-year $500m offeriog. Tbe bond, which was priced to yield 22.5 basis points over the existing five-year Treasury and 20 basis points over the "wben-issued" Treasury, follows Denmark's debut in the four and six-year dollar sectors earlier this year.

An official at HSBC Markets, sole book-runner on the deal, said Denmark bad been scouring the horizons for good funding opportunities rather than indulging in any particular fetish for awkward maturities.

"What we've seen is Denmark taking advantage of good windows along particular points in the curve," said the official.

Denmark's six-year deal has since widened by about five basis points from tbe initial spread of 10 basis points over five-year Treasuries. Yesterday's offering was trading at flat to re-offer in the secondary markets.

The official said the deal was well received by investors, with 25 accounts buying up about two-thirds of the paper yesterday. These included Asian central banks, European institutional funds and a mixture of Benelux and UK retail investors.

He said yesterday's offer was considered relatively cheap compared with Sweden's seven-year deal earlier this year, which was priced to yield a spread of 19 basis points. With a rating of Aa3/AA+ Sweden is considered a higher risk than Denmark at Aa1/AA+. "Partly it reflects the general widening of spreads we've seen since Sweden issued, but Denmark also wanted to see good demand," he added.

● In the next two weeks a series of Japanese offerings are expected, inclnding Kansai Electric, which will tap the sterling sector; Japan's highway agency, with a 10-year dollar deal; and EPDC of Japan and Trans Tokyo Bay, both in US dollars.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Kingdom of Denmark	500	6.25	99.092R	Sep 2004	0.30R	+20(W1 5yr)	HSBC Markets
■ D-MARKS							
Union Bank of Norway	250	5.375	99.57R	Sep 2004	0.35R	+21(5¾Jul04)	Bayerische Landesbank
■ CANADIAN DOLLARS							
Bayerische Landesbank	100	5.25	98.21R	Sep 2003	0.275R	+20(5¼Sep02)	TD Securities
■ SWEDISH KRONOR							
Finnish Export Credit‡	500	6.00	101.745	Dec 2002	1.875		Svenska Handelsbanken

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. ‡ Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	123.6572	−1.180	6.74	6.88	9.67
Austria		5.625	07/07	99.6800	−0.060	5.87	5.70	5.75
Belgium		6.250	03/07	103.8500	−0.100	5.71	5.74	5.66
Canada *		7.250	06/07	109.2000	+0.050	5.99	5.97	6.00
Denmark		7.000	06/07	105.8600	−0.070	6.20	6.25	6.11
France	BTAN	4.750	03/02	100.0128	−0.040	4.74	4.75	4.43
	OAT	5.500	10/07	100.0400	+0.250	5.49	5.58	5.40
Germany Bund		6.000	07/07	102.6600	−0.160	5.64	5.66	5.53
Ireland		8.000	08/06	110.7400	−0.090	6.39	6.43	6.39
Italy		6.750	02/07	101.9000	−0.080	6.48†	6.58	6.39
Japan	No 148	5.600	06/02	119.8267	−0.040	1.34	1.40	1.57
	No 182	3.000	09/05	106.9183	−0.080	2.07	2.08	2.28
Netherlands		5.750	02/07	101.3600	−0.120	5.56	5.60	5.51
Portugal		9.500	02/06	121.1500	−0.050	6.21	6.29	6.16
Spain		7.350	03/07	107.6200	−0.220	6.25	6.32	6.22
Sweden		8.000	08/07	110.7578	−0.460	6.50	6.59	6.44
UK Gilts		7.000	06/02	100-03	−2/32	6.97	7.01	7.15
		7.250	12/07	101-21	−5/32	7.02	7.04	7.09
		9.000	10/08	114-30	−6/32	7.04	7.06	7.12
US Treasury *		6.125	08/07	98-29	−6/32	6.27	6.29	6.24
		6.375	08/27	97-16	−13/32	6.57	6.57	6.54
ECU (French Govt)		5.500	04/07	97.0700	−0.130	5.90	5.66	5.71

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	·	Two year	5.89
Prime rate	8½	Two month	·	Three year	6.01
Broker loan rate	7¼	Three month	5.25	Five year	6.10
Fed.funds	5½	Six month	5.36	10-year	6.25
Fed.funds at intervention	·	One year	5.52	30-year	6.54

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.06	130.12	−0.02	130.22	129.98	70,071	153,459
Dec	99.06	99.14	+0.02	99.22	99.02	2,871	13,132
Mar	98.46	98.54	+0.02	98.46	98.46	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	3.13	-	-	0.01	-	-
128	2.13	-	-	0.01	-	-
129	1.15	-	-	0.04	-	-
130	0.34	-	-	0.22	-	-
131	0.03	-	-	0.91	-	-

Est. vol. total, Calls 7,532 Puts 11,643. Previous day's open int., Calls 87,217 Puts 126,849.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.68	102.63	-0.10	102.79	102.53	106870	259480
Dec	101.80	101.76	-0.12	101.92	101.68	3290	27091

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
10250	0.13	0.27	0.51	0.70	0	1.01	1.25	1.44
10300	0	0.14	0.34	0.51	0.37	1.38	1.58	1.75
10350	0	0.07	0.22	0.37	0.87	1.81	1.96	2.11

Est. vol. total, Calls 16692 Puts 18464. Previous day's open int., Calls 188888 Puts 273219

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.63	136.55	-0.17	136.95	136.43	41220	100809
Dec	106.85	106.56	-0.15	106.87	106.56	4004	17987

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10850	1.62	2.57	1.53	1.94
10900	1.35	2.31	1.76	2.18
10950	1.14	2.07	2.05	2.44

Est. vol. total, Calls 1100 Puts 1360. Previous day's open int., Calls 20239 Puts 18077

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.50	117.33	−0.24	117.65	117.28	68,250	85,419
Dec	–	101.19	−0.25	-	-	290	3,041

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115-02	114-30	-0-06	115-09	114-29	54020	164538
Dec	114-23	114-19	-0-05	114-30	114-20	2413	10452

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
114	0-60	1-12	1-34	1-54	0	0-38	0-60	1-16
115	0	0-42	1-02	1-19	0-04	1-04	1-28	1-45
116	0	0-21	0-41	0-58	1-04	1-47	2-03	2-19

Est. vol. total, Calls 750 Puts 517. Previous day's open int., Calls 45784 Puts 44827

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.20	97.16	−0.08	97.25	97.12	293	5,796
Dec	-	96.84	−0.08	–	–	–	–

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113-27	113-26	−0-03	113-31	113-23	276,945	494,291
Dec	113-16	113-15	−0-02	113-19	113-12	8,496	64,464
Mar	113-06	113-04	−0-03	113-06	113-04	169	32,404

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	127.29			127.29	127.03	4157	n/a
Dec	126.52			126.52	126.30	1651	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Aug 21	Day's change %	Wed Aug 20	Accrued interest	xd adj. ytd		Low coupon yield Aug 21	Aug 20	Yr. ago	Medium coupon yield Aug 21	Aug 20	Yr. ago	High coupon yield Aug 21	Aug 20	Yr. ago
1 Up to 5 years (19)	119.52	−0.02	119.54	2.26	7.01	5 yrs	7.01	6.99	7.10	7.09	7.07	7.16	7.13	7.10	7.25
2 5-15 years (21)	153.05	−0.11	153.22	2.50	7.42	15 yrs	7.00	6.66	8.03	7.03	7.01	8.04	7.09	7.08	8.06
3 Over 15 years (5)	182.49	−0.17	182.81	6.87	8.99	20 yrs	7.00	6.98	8.14	7.01	6.99	8.13	7.09	7.09	8.16
4 Irredeemables (5)	240.82	−0.12	241.11	3.68	8.36	Irred.†	7.09	7.08	8.20						
5 All stocks (50)	147.42	−0.09	147.55	3.16	7.34										

Index-linked							Inflation 5% Aug 21	Aug 20	Yr. ago	Inflation 10% Aug 21	Aug 20	Yr. ago
6 Up to 5 years (2)	207.13	0.01	207.11	2.37	3.03	Up to 5 yrs	3.56	3.56	2.03	2.85	2.84	0.34
7 Over 5 years (10)	200.84	0.05	200.74	0.84	4.70	Over 5 yrs	3.51	3.51	3.64	3.29	3.29	3.43
8 All stocks (12)	200.41	0.05	200.32	0.88	4.51							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 21	Aug 20	Aug 19	Aug 19	Aug 15	Yr ago	High*	Low*
Govt. Secs. (UK)	96.91	97.03	96.97	96.98	96.73	93.26	97.63	93.31
Fixed interest	126.12	126.10	126.27	126.02	125.54	113.64	126.88	115.32

Gilt Edged Activity Indices

	Aug 20	Aug 19	Aug 18	Aug 15	Aug 14
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

Columns: Notes | Yield Int | Red | Price £ | + or - | 52 week High | Low

Shorts (Lives up to Five Years) — Index-Linked — Five to Fifteen Years — Over Fifteen Years — Undated — Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 21

U.S. DOLLAR STRAIGHTS — SWISS FRANC STRAIGHTS — YEN STRAIGHTS — OTHER STRAIGHTS — DEUTSCHE MARK STRAIGHTS — FLOATING RATE NOTES — CONVERTIBLE BONDS

[illegible]

هكذا من الأصل

CURRENCIES AND MONEY

Pound falls with UK export orders

MARKETS REPORT

By Simon Kuper

The pound dropped sharply against the D-Mark yesterday after a survey showed UK export orders at their worst level since November 1992. The Bundesbank council also buoyed the D-Mark, by implying that it would set its repo rate weekly for the moment. That would allow a shift to a variable repo tender at any point. The Bundesbank has hinted at such a shift, which would probably push rate levels higher, in order to defend its currency.

The Confederation of British Industry's monthly trends survey for August quoted 48 per cent of manufacturers as saying that export order books were below normal levels. Only 11 per cent said orders were above average. The market has long awaited signs that the pound's recent surge is starting to hit the UK economy and trade balance.

The Bundesbank council meeting, which normally fixes the repo rate, said that it would announce conditions for its next money market operations only next Tuesday. The market now believes that the bank will set its repo conditions weekly, as it did until about 18 months ago. If so, the bank could move from a fixed to a variable rate at any time. Currency strategists said the bank had left the market on edge and unwilling to sell the D-Mark. The German Ifo institute said interest rates would rise 50 basis points in early 1998.

The pound dropped 3.3 pfennigs, closing in London at DM2.924 to the D-Mark. It lost 0.6 cents against the dollar to $1.587. Sterling's slide against the D-Mark and a fall in US shares both hit the dollar. It dropped 1.5 pfennigs against the D-Mark to DM1.842, and Y0.5 against the yen to Y117.6. Trading was thin.

■ Michael Rosenberg, managing director of international fixed income research at Merrill Lynch in New York, has been a dollar bull for more than two years.

He remains so, arguing that Tokyo and the Bundesbank cannot keep the dollar range-bound even if they want to.

Suppose Tokyo is indeed trying to keep the dollar between Y110 and Y120 against the yen, he says. That means that investors need hardly worry much about currency risk when they buy US bonds. And they will certainly buy them, given that Japanese bond yields are at record lows, 5 percentage points below Treasuries. Foreign bond purchases by Japanese investors are twice the size of Japan's current account surplus.

The dollar can therefore rise despite that surplus, Mr Rosenberg says. The market does not worry much about current accounts these days, he argues. The evidence is in the graph accompanying this column, which showa that the D-Mark has plunged against the dollar even as the European Union has moved into a massive current account surplus.

Mr Rosenberg says tough talk from Tokyo would only briefly stop the dollar from breaking Y120 to the yen.

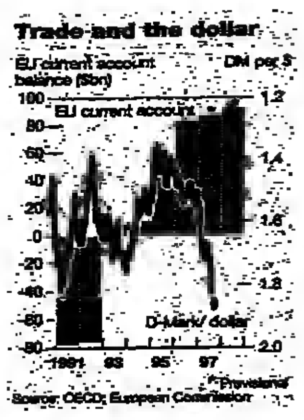
As for the Bundesbank, it is thought to want to keep the dollar below DM1.90 to the D-Mark. It is doing so by threatening a cbange to a variable repo rate. If the bank made that move, Mr Rosenberg says, German rates would rise only 10 or 20 basis points, and the D-Mark would fail to bounce. At that point, when the bank's bluff had been called, the dollar would surge, he predicts.

■ Paul Chertkow, global head of foreign exchange research at UBS in London and another dollar bull, thinks the currency has further to rise against the yen than against the D-Mark. The main reason, he says, is the devaluation of four south east Asian currencies since July. The region accounts for 36 per cent of Japanese exports, compared with only 32 per ceot that go to the US. The devaluations will therefore hit Japan's economy, whicb already seems to be slowing.

Tokyo talked tbe dollar down in April and May because it thought its own economy was recovering. Now, however, if the dollar does threaten the Y120 level, Tokyo may be content to let it rise, says Mr Chertkow.

He adds: "We currently have orders from Japanese life companies to sell the dollar above Y118. But those orders are not fixed and could easily be pulled."

Trade and the dollar



Source: OECD; European Commission

■ Pound in New York

Aug 21	—Latest—	– Prev. close –
£ spot	1.5900	1.5935
1 mth	1.5878	1.5914
3 mth	1.5840	1.5874
1 yr	1.5676	1.5709

■ OTHER CURRENCIES

Aug 21	£	$
Czech Rp	54.5653 - 54.6944	34.3870 - 34.4510
Hungary	314.662 - 314.901	198.300 - 198.350
Iran	4762.80 - 4780.40	3000.00 - 3000.00
Kuwait	0.4845 - 0.4850	0.3053 - 0.3055
Poland	5.5443 - 5.5566	3.4940 - 3.5000
Russia	9244.70 - 9250.95	5826.00 - 5827.00
U.A.E.	5.8249 - 5.8320	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.5720	-0.2332	606 - 834	20.8749	20.5600	20.5176	3.2	20.4049	3.2	19.8994	3.3	101.9
Belgium	(BFr)	60.4085	-0.684	619 - 510	61.2500	60.3610	60.2265	3.6	59.8565	3.6	58.1065	3.8	101.2
Denmark	(DKr)	11.1455	-0.1174	411 - 499	11.3041	11.1405	11.114	3.4	11.05	3.4	10.7585	3.5	103.5
Finland	(FM)	8.7242	-0.1001	171 - 312	8.8450	8.7150	8.6989	3.5	8.6463	3.6	8.4337	3.3	81.0
France	(FFr)	9.8561	-0.1039	532 - 590	9.9960	9.8530	9.8231	4.0	9.7661	3.7	9.4908	3.7	103.9
Germany	(DM)	2.9237	-0.0331	221 - 252	2.9674	2.9220	2.9144	3.8	2.8954	3.9	2.8085	3.8	102.0
Greece	(Dr)	459.709	-4.248	395 - 023	464.857	459.389	460.492	-4.7	463.118	-3.6	471.484	-2.8	65.1
Ireland	(I£)	1.0947	-0.0104	936 - 957	1.1079	1.0933	1.0942	0.5	1.0926	0.7	1.0819	1.2	98.9
Italy	(L)	2850.85	-27.42	894 - 276	2888.85	2848.49	2850.93	0.0	2850.89	0.0	2848.3	0.1	75.8
Luxembourg	(LFr)	60.4085	-0.684	619 - 510	61.2500	60.3610	60.2265	3.6	59.8565	3.8	58.1065	3.3	101.2
Netherlands	(Fl)	3.2927	-0.0364	910 - 943	3.3404	3.2905	3.2825	3.7	3.2616	3.6	3.1656	3.9	100.7
Norway	(NKr)	12.1905	-0.1206	844 - 966	12.3565	12.1836	12.158	3.2	12.097	3.1	11.828	3.0	95.5
Portugal	(Es)	298.330	-3.321	176 - 484	300.334	296.126	296.174	0.6	295.644	0.9	291.556	1.6	92.0
Spain	(Pta)	247.175	-2.521	033 - 318	250.480	246.900	246.86	1.5	246.11	1.7	241.74	2.2	76.4
Sweden	(SKr)	12.7131	-0.1441	039 - 222	12.8928	12.7024	12.6856	2.6	12.6271	2.7	12.3706	2.7	85.2
Switzerland	(SFr)	2.4062	-0.0249	048 - 076	2.4349	2.4041	2.3953	5.5	2.3727	5.6	2.2725	5.6	105.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.6
Ecu	-	1.4860	-0.0161	848 - 871	1.5069	1.4838	1.4827	2.7	1.4755	2.8	1.4415	3.0	-
SDR†	-	1.181650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5869	-0.0053	865 - 873	1.6002	1.5851	-	-	-	-	-	-	-
Brazil	(R$)	1.7273	-0.0063	266 - 279	1.7423	1.7254	-	-	-	-	-	-	-
Canada	(C$)	2.2140	-0.0045	130 - 149	2.2292	2.2091	2.2071	3.7	2.1935	3.7	2.1426	3.2	84.3
Mexico	(New Peso)	12.3626	-0.0272	247 - 404	12.3679	12.3001	-	-	-	-	-	-	-
USA	($)	1.5872	-0.0053	868 - 876	1.6005	1.5854	1.5851	1.6	1.5812	1.5	1.5651	1.4	108.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1241	-0.0214	228 - 253	2.1469	2.1223	2.1204	2.1	2.112	2.3	2.0751	2.3	94.8
Hong Kong	(HK$)	12.2905	-0.0367	850 - 960	12.3908	12.2773	12.2895	0.1	12.283	0.2	12.228	0.5	-
India	(Rs)	57.4984	+0.2159	422 - 505	57.7640	57.2360	57.6916	-4.1	58.0922	-4.1	59.7719	-4.0	-
Israel	(Shk)	5.6112	-0.0218	033 - 190	5.6192	5.6023	-	-	-	-	-	-	-
Japan	(Y)	186.631	-1.497	544 - 718	188.570	186.180	185.611	6.6	183.596	6.5	174.601	6.4	132.6
Malaysia	(M$)	4.3823	-0.04	772 - 873	4.4302	4.3769	4.3865	-1.2	4.3945	-1.1	4.4132	-0.7	-
New Zealand	(NZ$)	2.4790	-0.0071	774 - 806	2.5016	2.4758	2.4822	-1.5	2.486	-1.1	2.4866	-0.3	107.6
Philippines	(Peso)	47.4573	-0.3163	660 - 486	48.5132	47.3648	47.6171	-4.0	47.8666	-3.4	48.9235	-3.1	-
Saudi Arabia	(SR)	5.9532	-0.0198	515 - 548	6.0024	5.9465	5.9497	0.7	5.9413	0.8	5.9048	0.8	-
Singapore	(S$)	2.3776	-0.0215	762 - 790	2.3963	2.3761	2.373	2.3	2.3629	2.5	2.3147	2.6	-
South Africa	(R)	7.6226	-0.04	183 - 268	7.6432	7.5178	7.5933	-6.7	7.7012	-6.5	8.1381	-6.2	-
South Korea	(Won)	1426.65	-4.96	622 - 709	1438.53	1425.12	-	-	-	-	-	-	-
Taiwan	(T$)	45.5923	-0.1541	792 - 054	45.9728	45.5618	45.5757	0.4	45.5359	0.5	45.3383	0.6	-
Thailand	(Bt)	51.9015	-0.0124	080 - 939	52.0260	49.8830	52.2381	-7.8	52.6997	-6.2	53.7299	-3.5	-

† Rates for Aug 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.9612	-0.1037	573 - 651	13.0735	12.9550	12.9372	2.2	12.8882	2.3	12.8642	2.3	101.4
Belgium	(BFr)	38.0585	-0.2915	400 - 770	38.3700	38.0400	37.9835	2.4	37.832	2.4	37.1385	2.4	101.2
Denmark	(DKr)	7.0221	-0.0506	211 - 231	7.0828	7.0183	7.0104	2.0	6.9861	2.1	6.8797	2.0	102.6
Finland	(FM)	5.4966	-0.0447	935 - 996	5.5514	5.4932	5.4851	2.5	5.4615	2.6	5.3676	2.3	80.1
France	(FFr)	6.2098	-0.0447	095 - 100	6.2645	6.2052	6.1983	2.2	6.1745	2.3	6.0656	2.3	103.0
Germany	(DM)	1.8420	-0.0148	415 - 425	1.8591	1.8411	1.8382	2.5	1.8304	2.5	1.7954	2.5	101.3
Greece	(Dr)	289.605	-1.715	880 - 130	291.040	288.770	290.3	-5.4	292.355	-4.6	299.505	-3.6	64.8
Ireland	(I£)	1.4500	+0.008	490 - 510	1.4510	1.4380	1.4492	0.6	1.4483	0.5	1.4487	0.1	-
Italy	(L)	1796.15	-11.3	540 - 690	1809.81	1795.30	1797.92	-1.2	1800.93	-1.1	1804.35	-0.5	75.4
Luxembourg	(LFr)	38.0585	-0.2915	400 - 770	38.3700	38.0400	37.9835	2.4	37.832	2.4	37.1385	2.4	101.2
Netherlands	(Fl)	2.0745	-0.0181	740 - 750	2.0935	2.0730	2.0703	2.5	2.0617	2.5	2.024	2.4	100.4
Norway	(NKr)	7.6805	-0.0504	786 - 824	7.7409	7.6763	7.6681	2.3	7.6376	2.2	7.5259	2.0	94.6
Portugal	(Es)	186.700	-1.47	650 - 750	188.030	186.650	186.663	0.2	186.61	0.2	185.44	0.7	92.3
Spain	(Pta)	155.730	-1.07	680 - 780	156.840	155.550	155.685	0.3	155.51	0.6	154.235	0.9	75.8
Sweden	(SKr)	8.0096	-0.0641	060 - 135	8.0799	8.0025	8.0006	1.4	7.9814	1.4	7.9074	1.3	84.6
Switzerland	(SFr)	1.5160	-0.0106	155 - 165	1.5252	1.5146	1.5107	4.2	1.5	4.2	1.4545	4.1	105.0
UK	(£)	1.5872	-0.0053	868 - 876	1.6005	1.5854	1.5851	1.6	1.5812	1.5	1.5651	1.4	102.2
Ecu	-	1.0682	+0.008	676 - 687	1.0688	1.0597	1.0696	-1.6	1.0729	-1.7	1.0884	-1.9	-
SDR†	-	0.739902	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0883	-0.0004	881 - 884	1.0886	1.0881	-	-	-	-	-	-	-
Canada	(C$)	1.3949	+0.0017	946 - 951	1.3955	1.3913	1.3919	2.7	1.3861	2.5	1.3655	2.1	84.4
Mexico	(New Peso)	7.7700	+0.0085	670 - 730	7.7790	7.7650	7.8785	-16.8	8.0895	-16.4	9	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3382	-0.0081	378 - 387	1.3414	1.3375	1.3376	0.5	1.3358	0.7	1.3274	0.8	95.8
Hong Kong	(HK$)	7.7435	+0.0025	420 - 450	7.7450	7.7420	7.744	-0.1	7.7449	-0.1	7.7472	0.0	-
India	(Rs)	36.2250	-1.745	000 - 500	36.2500	35.9300	36.3625	-4.6	36.6475	-4.7	37.86	-4.5	-
Israel	(Shk)	3.5353	-0.0019	312 - 393	3.5406	3.5310	-	-	-	-	-	-	-
Japan	(Y)	117.585	-0.515	560 - 610	118.030	117.350	117.07	5.3	116.07	5.2	111.77	4.9	133.6
Malaysia	(M$)	2.7610	-0.015	585 - 635	2.7780	2.7565	2.7655	-2.0	2.7745	-2.0	2.8045	-1.6	-
New Zealand	(NZ$)	1.5618	+0.0007	613 - 625	1.5630	1.5610	1.5627	-0.6	1.5651	-0.8	1.5752	-0.9	-
Philippines	(Peso)	29.9000	-0.1	500 - 500	30.6000	29.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	506 - 508	3.7508	3.7506	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.4980	-0.0085	975 - 985	1.5085	1.4950	1.4963	1.4	1.4925	1.5	1.473	1.7	-
South Africa	(R)	4.7395	-0.0095	380 - 410	4.7910	4.7360	4.78	-10.3	4.8595	-10.1	5.162	-8.9	-
South Korea	(Won)	898.850	-0.15	800 - 900	898.900	898.100	-	-	-	-	-	-	-
Taiwan	(T$)	28.7250	-0.002	240 - 260	28.7260	28.7230	28.738	-0.5	28.745	-0.3	28.8375	-0.4	-
Thailand	(Bt)	32.7000	+0.1	500 - 500	32.7600	31.3000	33.145	-16.3	33.85	-14.1	35.08	-7.3	-

† SDR rate per $ for Aug 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 20: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 11/32	3½	3 19/32	3 21/32	3¾	6.00	2.50	-
France	3½	3½	3⅝	3 19/32	3 23/32	3.10	-	4.75
Germany	3½	3 3/16	3¼	3 7/32	3 19/32	4.50	2.50	3.00
Ireland	6¼	6 5/16	6 9/32	6 5/16	6 7/16	-	-	6.75
Italy	6⅝	6 15/32	6 19/32	6 9/16	6 [illegible]	7.75	6.25	6.17
Netherlands	3⅛	3 5/32	3⅛	3½	3 7/32	-	2.50	3.00
Switzerland	⅞	1⅜	1¼	1 13/32	1⅜	-	1.00	-
US	5 19/32	5 17/32	5 19/32	5¾	5⅝	-	5.00	-
Japan	½	½	½	½	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5 19/32	5 21/32	6	-	-	-
US Dollar CDs	-	5.43	5.46	5.53	5.67	-	-	-
ECU Linked Ds	-	4⅜	4¼	4 11/32	4 13/32	-	-	-
SDR Linked Ds	-	3 17/32	3⅝	3 21/32	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	3 15/32 - 3 11/32	3 17/32 - 3 15/32	3 19/32 - 3 9/16	3 21/32 - 3 5/8	3 13/16 - 3 11/16
Danish Krone	3⅞ - 3¼	3 13/32 - 3 7/16	3 19/32 - 3 7/16	3 23/32 - 3 11/16	3⅞ - 3¾	4 1/32 - 3 31/32
German Mark	3⅛ - 2 31/32	3 11/32 - 3¼	3¼ - 3⅛	3 11/32 - 3 7/32	3 7/16 - 3 5/16	3 9/16 - 3 7/16
Dutch Guilder	3 - 2¾	3⅜ - 3¼	3⅜ - 3 5/16	3½ - 3⅜	3⅝ - 3½	3 27/32 - 3⅝
French Franc	3 9/32 - 3 5/32	3 5/16 - 3 7/32	3 11/32 - 3 9/32	3 7/16 - 3 5/16	3 17/32 - 3 13/32	3 11/16 - 3 9/16
Portuguese Esc.	5 15/32 - 5 5/16	5½ - 5 15/32	5½ - 5 7/16	5½ - 5 7/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16
Spanish Peseta	5 11/32 - 5 7/32	5⅜ - 5 7/32	5⅜ - 5 7/32	5 11/32 - 5 5/16	5 5/16 - 5 3/16	5¼ - 5⅛
Sterling	7 1/16 - 7	7⅛ - 7	7 7/32 - 7 3/32	7 7/32 - 7 3/32	7⅜ - 7¼	7½ - 7 7/16
Swiss Franc	1⅛ - ⅝	1½ - 1⅜	1 7/16 - 1 11/32	1½ - 1⅜	1⅝ - 1 15/32	1 13/16 - 1 11/16
Canadian Dollar	3⅜ - 3¼	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3⅝ - 3½	3⅞ - 3¾	4 5/16 - 4 3/16
US Dollar	5 9/16 - 5 7/16	5⅝ - 5½	5 9/16 - 5 7/16	5 23/32 - 5 19/32	5 13/16 - 5 11/16	6 - 5⅞
Italian Lira	7 13/32 - 6 13/32	6⅞ - 6¾	6 21/32 - 6 17/32	6 13/16 - 6 11/16	6 11/16 - 6 19/32	6 13/16 - 6⅝
Japanese Yen	½ - 15/32	17/32 - ½	17/32 - 7/16	9/16 - 7/16	9/16 - 7/16	19/32 - 15/32
Asian $Sing	2¾ - 2⅝	3⅝ - 3½	3 13/16 - 3 11/16	3 15/16 - 3 13/16	3 15/16 - 3 13/16	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.52	96.52	-0.01	96.54	96.50	11,448	65,590
Dec	96.34	96.34	-0.02	96.36	96.32	13,319	37,245
Mar	96.24	96.23	-0.02	96.25	96.21	6,166	21,179

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.63	96.62	-0.02	96.65	96.61	30947	244125
Dec	96.43	96.42	-0.02	96.45	96.40	43321	291434
Mar	96.31	96.29	-0.02	96.32	96.27	31352	279283
Jun	96.05	96.06	-0.01	96.11	96.05	29103	213037

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.73	-			0	348
Oct		96.64	-0.01			0	265
Nov		96.59	-0.01			0	60
Dec		96.40	-0.01			0	700

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.28	93.29	-	93.30	93.27	10148	97303
Dec	93.68	93.67	-0.02	93.70	93.66	12149	92822
Mar	93.98	93.97	-0.02	94.00	93.96	7314	54078
Jun	94.19	94.22	+0.01	94.25	94.19	4279	43972

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.45	98.46	-	98.48	98.44	5458	60943
Dec	98.24	98.22	-0.02	98.25	98.22	4748	52123
Mar	98.09	98.09	-0.03	98.13	98.08	2736	27638
Jun	97.90	97.90	-0.04	97.93	97.90	572	8633

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.42	-0.02			0	n/a
Dec		99.38	-0.01			0	n/a
Mar	99.28	99.28	-0.02	99.28	99.27	3	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.61	95.61	-0.01	95.63	95.61	1451	10312
Dec	95.52	95.53	-0.01	95.55	95.52	672	9846
Mar	95.50	95.49	-0.03	95.53	95.48	236	6106
Jun		95.43	-0.02			0	3356

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.09	0.47	0.80	0.05	0.05	0.08
9350	0.01	0.29	0.59	0.22	0.12	0.12
9375	0	0.14	0.42	0.48	0.22	0.20

Est. vol. total, Calls 2886 Puts 4561. Previous day's open int., Calls 137950 Puts 63729

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.32	4.840	1.612	4719	5.451	20.18	490.6	409.2	21.05	3.983	1.655	3.665	2.628	309.0	2.460
Denmark	(DKr)	54.20	10	8.843	2.623	0.982	2558	2.954	10.94	265.9	221.8	11.41	2.159	0.897	1.986	1.424	187.4	1.333
France	(FFr)	61.29	11.31	10	2.966	1.111	2892	3.341	12.37	300.7	250.6	12.90	2.441	1.015	2.248	1.610	189.4	1.508
Germany	(DM)	20.66	3.812	3.371	1	0.374	975.1	1.126	4.170	101.4	84.54	4.348	0.823	0.342	0.757	0.543	63.84	0.508
Ireland	(I£)	55.18	10.18	9.004	2.671	1	2604	3.008	11.14	270.7	225.8	11.61	2.198	0.914	2.023	1.450	170.5	1.357
Italy	(L)	2.119	0.391	0.346	0.103	0.038	100	0.116	0.428	10.39	8.670	0.446	0.084	0.035	0.078	0.056	6.547	0.052
Netherlands	(Fl)	18.35	3.385	2.993	0.888	0.332	865.8	1	3.702	90.00	75.07	3.861	0.731	0.304	0.672	0.482	56.68	0.451
Norway	(NKr)	49.55	9.143	8.085	2.398	0.898	2339	2.701	10	243.1	202.8	10.43	1.974	0.820	1.816	1.302	153.1	1.219
Portugal	(Es)	20.38	3.761	3.326	0.987	0.369	962.1	1.111	4.114	100	83.41	4.290	0.812	0.337	0.747	0.536	62.98	0.501
Spain	(Pta)	24.44	4.509	3.988	1.183	0.443	1153	1.332	4.932	119.9	100	5.143	0.973	0.405	0.896	0.642	75.51	0.601
Sweden	(SKr)	47.51	8.767	7.753	2.300	0.861	2242	2.590	9.589	233.1	194.4	10	1.893	0.787	1.742	1.248	146.8	1.168
Switzerland	(SFr)	25.10	4.632	4.096	1.215	0.455	1185	1.368	5.066	123.2	102.7	5.284	1	0.418	0.920	0.660	77.56	0.618
UK	(£)	60.41	11.15	9.856	2.924	1.095	2851	3.293	12.19	296.3	247.2	12.71	2.406	1	2.214	1.587	186.6	1.486
Canada	(C$)	27.28	5.034	4.452	1.321	0.494	1288	1.487	5.506	133.8	111.6	5.742	1.087	0.452	1	0.717	84.30	0.671
USA	($)	38.06	7.022	6.210	1.842	0.690	1796	2.075	7.681	186.7	155.7	8.010	1.516	0.630	1.395	1	117.6	0.936
Japan	(Y)	32.37	5.972	5.281	1.567	0.587	1528	1.764	6.532	158.8	132.4	6.812	1.289	0.536	1.186	0.850	100	0.796
Ecu	-	40.65	7.501	6.633	1.968	0.737	1919	2.216	8.204	199.4	166.4	8.556	1.619	0.673	1.490	1.068	125.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5394	0.5424	+0.0027	0.5427	0.5385	33,185	102,830
Dec	0.5428	0.5453	+0.0025	0.5456	0.5428	1,321	4,686
Mar	-	0.5480	+0.0021	0.5480	-	88	1,378

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8525	0.8536	+0.0003	0.8554	0.8498	19,561	75,702
Dec	0.8632	0.8659	+0.0015	0.8660	0.8632	355	2,470
Mar	-	0.8759	-	-	-	6	537

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6579	0.6604	+0.0022	0.6609	0.6570	15,124	53,055
Dec	0.6665	0.6669	+0.0019	0.6677	0.6665	151	2,528
Mar	-	0.6719	-	-	-	8	1,056

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5914	1.5866	-0.0060	1.5966	1.5846	7,100	50,354
Dec	1.5870	1.5810	-0.0062	1.5870	1.5770	167	1,182
Mar	-	1.5730	-0.0078	-	1.5730	6	206

UK INTEREST RATES

LONDON MONEY RATES

Aug 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 7/16 - 6¾	7 3/16 - 7 1/16	7 3/32 - 7 1/32	7¼ - 7⅛	7⅜ - 7¼	7 9/16 - 7 7/16
Sterling CDs	-	-	7 3/32 - 7 1/32	7 7/32 - 7 3/32	7¼ - 7⅛	7 13/32 - 7 11/32
Treasury Bills	-	-	6 31/32 - 6 13/16	7 - 6⅞	-	-
Bank Bills	-	-	6 31/32 - 6 29/32	6 31/32 - 6 29/32	7 1/16 - 7 1/16	-
Local authority deps.	7 - 6¾	7 - 6¾	7 3/32 - 7 1/32	7 3/16 - 7 1/16	7 3/32 - 7¼	7 7/16 - 7⅜
Discount Market deps	7 - 6⅞	6⅞ - 6¾				

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 15, 6.7810pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.75	92.71	-0.04	92.75	92.71	8807	107979
Dec	92.62	92.57	-0.05	92.62	92.56	19865	124608
Mar	92.58	92.54	-0.04	92.58	92.53	18541	98504
Jun	92.58	92.57	-0.02	92.59	92.55	8506	71517
Sep	92.61	92.64	-	92.65	92.61	6639	56801

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.21	0.16	0.21	0	0.09	0.17
9275	0.03	0.05	0.09	0.07	0.23	0.30
9300	0	0.01	0.04	0.29	0.44	0.50

Est. vol. total, Calls 5665 Puts 8530. Previous day's open int., Calls 198885 Puts 208588

EMS EUROPEAN CURRENCY UNIT RATES

Aug 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.738331	-0.001688	-7.56	11.42	51
Finland	5.85424	5.88982	-0.01125	0.61	2.37	-4
Italy	1906.48	1923.66	-1.2	0.90	2.08	-7
Portugal	197.398	200.021	-0.119	1.33	1.65	-9
Spain	163.826	166.754	-0.095	1.79	1.19	-12
Denmark	7.34555	7.52336	+0.00035	2.42	0.56	-17
Netherlands	2.16979	2.22281	-0.0011	2.44	0.54	-18
Germany	1.92573	1.97435	-0.00063	2.52	0.46	-25
Austria	13.5485	13.8926	-0.0046	2.54	0.45	-19
Belgium	39.7191	40.7667	-0.0167	2.64	0.35	-19
France	6.45863	6.65219	-0.00107	3.00	0.00	-25
NON ERM MEMBERS						
Greece	295.269	309.377	+0.203	4.78	-1.70	-
UK	0.793103	0.671058	+0.001654	-15.39	21.73	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.600	1.14	1.87	2.51	2.03	2.88	3.78
1.610	0.79	1.48	2.17	2.83	-	-
1.620	0.57	1.16	1.81	3.37	4.17	-

Previous day's vol., Calls 2,836 Puts 331. Prev. day's open int., Calls 36,047 Puts 37,392

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.535	0.90	1.24	1.55	0.43	0.68	0.90
0.540	0.62	0.98	1.27	0.65	0.91	1.13
0.545	0.41	0.74	1.05	0.95	1.16	1.37

Previous day's vol., Calls 1,015 Puts 756. Prev. day's open int., Calls 19,685 Puts 18,383

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.28	-	94.28	94.28	29,313	485,382
Dec	94.13	94.12	-0.01	94.13	94.11	49,558	483,186
Mar	94.06	94.05	-0.01	94.06	94.05	63,998	343,292

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.92	94.92	-	94.92	94.92	256	7,313
Dec	94.82	94.82	-0.01	94.82	94.82	108	2,137
Mar	-	94.79	+0.01	-	-	46	1,027

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.37	0.21	0.22	0.24	0	0.04	0.05	0.07
9650	0.14	0.05	0.07	0.09	0.02	0.13	0.15	0.17
9675	0.01	0.01	0.02	0.02	0.14	0.34	0.35	0.35
9700	0	0	0	0.01	0.38	0.58	0.58	0.59
9725	0	0	0	0	0.63	0.83	0.83	0.83

Est. vol. total, Calls 7679 Puts 2292. Previous day's open int., Calls 369062 Puts 269758

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.07	0.06	0.10	0.11	0.36	0.51
9875	0.01	0.03	0.04	0.30	0.56	0.70

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4527 Puts 3630

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Western Trust	8.50
Bank of Scotland	7.00	C. Hoare & Co	7.00	Whiteaway Laidlaw	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00	Yorkshire Bank	7.00
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	● Members of London Investment Banking Association	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00	* In administration	
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

ABN AMRO Funds

Société d'Investissement à Capital Variable
4, rue Jean Monnet
L-2180 Luxembourg-Kirchberg
R.C. Luxembourg B 47072

Notice to the Shareholders

On August 21, 1997 the General Meeting of Shareholders has declared a dividend of DEM 5.61 per B-share in respect of B-shares of ABN AMRO Funds - Germany Bond Fund in issue at the close of business on August 21, 1997.

In the case of registered shares, the dividend will be paid on August 27, 1997.

In the case of bearer shares, dividends will be paid as from August 27, 1997 to holders of bearer shares in Deutsch Mark against tender of the relevant coupon (coupon no. 3) to:

ABN AMRO BANK (Luxembourg) S.A.
Customer Services Department
P.O. Box 581
4, rue Jean Monnet
L-2180 Luxembourg

Dividends which are not claimed within five years of its declaration shall be forfeited and shall accrue for the benefit of the ABN AMRO Funds - Germany Bond Fund.

Manager: ABN AMRO Luxembourg Investment Management S.A.

COMMODITIES AND AGRICULTURE

China lifts zinc production by 31%

By Kenneth Gooding, Mining Correspondent

China substantially increased its production of zinc in the first half of this year but not enough to bring the global market into balance.

Demand for zinc, at 3.883m tonnes, was well above global production of the metal, at 3.782m tonnes, leaving a supply deficit of some 101,000 tonnes for the six months, according to a report by the International Lead & Zinc Study Group.

While global refined zinc output increased by 4.6 per cent in the half year, China lifted production by nearly 31 per cent, or by 152,000 tonnes, to 648,000 tonnes, says the study group, which is backed by 30 countries.

China National Nonferrous Metals Corporation has forecast that Chinese zinc exports will more than double to at least 480,000 tonnes this year, compared with 227,000 tonnes in 1996, and this should help alleviate the squeeze in the London Metal Exchange's zinc market.

The increase in exports will help some Chinese zinc smelters that sold zinc short (sold metal they did not own in the expectation that the price would fall and they could cover their positions at a lower level) which are being badly hurt by the squeeze.

Zinc market analysts suggest that the Chinese smelters sold short up to 250,000 tonnes and, if they were forced to buy zinc in the market to cover all their short positions, their losses would reach US$125m.

Western world markets certainly needed the Chinese zinc. In the first half of the year zinc output in the west was virtually unchanged at 2.748m tonnes, whereas consumption rose by 4.8 per cent to 3.251m tonnes.

The study group says demand was particularly strong in China, Japan, Taiwan and the US but fell slightly in Europe.

Global lead consumption in the half year also outpaced production, according to the study group. Production rose by 2 per cent to 2.895m tonnes while consumption was up by 1 per cent to 2.932m tonnes.

Western world output increased by 2.4 per cent to 2.466m tonnes and demand in the west rose by a modest 0.7 per cent to 2.618m tonnes.

Grain move by Marc Rich

By William Hall in Zurich

Marc Rich, one of the world's most successful commodity traders, is expanding into grain trading through the acquisition of the grain activities of Glibro, a private Geneva company built up by two Irish businessmen.

The acquisition of Glibro's grain trading activities is Mr Rich's first acquisition since he set up the Marc Rich Group in late 1995. It already has a small grain trading operation but Thomas Frutig, a director of Marc Rich and Co Holding, the Zug parent, said that Glibro would give it "a jump start" in grain trading, where it wanted to be a global player.

Frank Gleeson, 42, one of two Irish brothers controlling Glibro, is joining the Marc Rich Group to head its agricultural commodity trading operation. Glibro, which has 80 staff and 10 offices, was set up five years ago.

It has been expanding rapidly into the former Soviet Union and has seven offices in the region, an area with considerable potential for grain trading. The acquisition will more than double the size of Marc Rich's office network and increase the workforce by more than a third to 300.

The Glibro acquisition is the latest sign that Mr Rich is intent on rebuilding a commodity trading empire to challenge giants such as Cargill, André and Continental. He used to control one of the world's biggest commodity traders, which carried his name. But after running into problems with the US tax authorities he retired from the business, which was renamed Glencore.

Weather warning lifts cocoa

MARKETS REPORT

By Gary Mead and Kenneth Gooding

The El Niño factor came into play on Liffe yesterday, with ED&F Man warning that the abnormal weather system could damage the 1997-98 cocoa crop and perhaps double the global deficit, to 450,000 tonnes.

Ivory Coast, the world's largest producer, which has been forecast to harvest 1.2m tonnes, might crop less than 950,000 tonnes, it said.

The September cocoa contract ended higher than for the past seven weeks at £1,086 a tonne, up £41 on the previous day. Volume was 15,883 lots, compared with recent daily turnover as low as 3,000 lots.

On the London Metal Exchange a big rise, of 14,425 tonnes, in aluminium stocks was ignored by the market and the price finished slightly higher.

The squeeze on aluminium intensified and the premium for immediate delivery, compared with three-month metal, doubled from Wednesday's level to $55 a tonne.

The zinc market, also in the grip of a squeeze, saw the premium for immediate delivery steady at $180 a tonne.

Investors get serious on commodities

Investment in commodities is getting serious. Playing the commodities' markets might still be seen by some small investors as a rollercoaster ride, a high-risk speculative punt.

However, large financial institutions are now more interested in commodity investments than ever before, according to Steve Strongin, director of commodities research with Goldman Sachs in New York.

The reason, says Mr Strongin, is that commodities' investment has become what he calls "an important risk management tool for large institutions. What we are seeing in commodity investment is the kind of thing that tends to occur in the mature phase of an investment process."

Investors this year have certainly seen some remarkable ups and downs, particularly in soft commodities such as coffee and cocoa on the London and New York futures exchanges.

In base metals, "squeezes" in copper, aluminium and zinc have propelled prices upwards, and precious metals palladium and platinum also reached new highs, due to delays in Russian supplies to Japanese users.

Large financial institutions now regard such developments not with alarm but with interest, says Mr Strongin.

He adds that Goldman Sachs has seen "a great deal of interest from precisely those investors who have gone through that whole process of globalisation, emerging markets, and who have now realised that, having managed all those other risks, they have actually increased their exposure to the global business cycle.

"As a result, we have have a list of clients that is truly blue-chip. It's going to become more important as the markets mature."

In order to boost its business in risk management for financial institutions, Mr Strongin, formerly an economist with the Chicago Federal Bank, says that the Goldman Sachs Commodity Index (GSCI) – which is heavily weighted towards energy and grains, both of which have strong needs for capital – was created to provide a useful benchmark.

"If you took $50bn and divided it equally between oil and orange juice, you'd easily absorb it in oil and yet own practically every orange in creation." Goldman Sachs suggests to investors that commodities occupy between 2 and 5 per cent of their total investment portfolio, which, says Mr Strongin, mirrors the role that commodities play in the world's economies.

"We have a large commercial business where we help producers of copper, oil, and other commodities to manage their risk. A good part of my time is spent thinking about how financial derivatives can help them manage their balance sheets.

Lydia van der Meer

Goldman Sachs' Steve Strongin: client list 'truly blue-chip'

"We need counter-parties to take the other sides of those trades. This is the classic intermediation – we have a group of companies who need risk capital. The GSCI was established in order to help institutional investors supply those funds. Surprisingly it's been effective at doing that."

But is there not a risk that, given such relatively small amounts of capital involved in the commodities' markets – Mr Strongin estimates that "in fundamental economic terms they are capitalised at about $90bn" – the introduction of large-scale activity by powerful financial institutions introduces a serious possibility of price distortion?

On the London Metal Exchange, for instance, end-users of base metal have long grumbled that (usually unnamed) "speculators" create excessive price volatility.

Mr Strongin strongly disputes such attitudes. "It's an incredible misunderstanding of the role of markets. You can either stabilise the inventories on commodity markets or you can allow a market to clear.

"Market clearing requires prices to move around. Commodity markets actually probably have less unjustified volatility than any market I have ever dealt with. The reason for that is very simple. The punishment on speculative plays, on being wrong, is enormous.

"In currency markets the penalty for being long can take years to occur. In commodity markets if the price is too low, nobody produces the stuff and you run out. If the price is too high, inventories start mounting up.

"The market is spectacularly punishing of people who try to shift it away from fundamentals. To describe that as somehow the problem, as opposed to the solution, I find intriguing."

Ultimately, Mr Strongin believes that the function of institutional investors in commodity markets is entirely contrary to the bogeyman image they have begun to acquire. Rather than bringing about disruption, he is adamant that in fact they generally act as a rebalancing mechanism.

"The net impact of investment or so-called 'speculative' money in these markets is usually to dampen the volatility that would have occurred in its absence."

Gary Mead

Setback for BP on Wytch Farm

By Robert Corzine in Dorset

British Petroleum has suffered a setback in its attempt to drill the world's longest extended-reach oil well at the Wytch Farm oil-field on the Dorset coast.

The company last week ran into problems on the M11 well that was aimed at a point in the Wytch Farm reservoir more than 10km from the drill site on Poole bay. The longest such well in the world is just over 8km.

"It's not the end of the world," said Paul Tooms, drilling manager at the site. "We knew it was 20 per cent further than anyone had ever been, and we knew it was never going to be easy."

It is the first big setback for the development of Wytch Farm, which in recent years has set a number of world records for extended reach drilling. Innovative techniques such as special types of drilling have had to be employed at the field, which is in the middle of an environmentally sensitive area.

Officials said BP and Schlumberger, the Franco-American oil service company which is advising on the extended-reach drilling programme, say they are confident the 10km target can still be achieved. On Tuesday they began work on a "side track," a new direction which will take the well in a modified direction.

A geological fault across the path of the well and problems association with an unstable layer of clay caused the problem. More than 7,000 metres of the well had been drilled when the problem arose.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1685-86	1631-2
Previous	1664-66	1629-30
High/low		1654/1619
AM Official	1707-08	1651-52
Kerb close		1619-20
Open int.	265,913	
Total daily turnover	101,386	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1455-60	1485-90
Previous	1435-45	1465-70
High/low		1500/1477
AM Official	1474.5-75	1490-95
Kerb close		1480-85
Open int.	5,095	
Total daily turnover	853	

■ LEAD ($ per tonne)

Close	605-6	617-8
Previous	592-3	606.5-7
High/low		624/610
AM Official	610-1	623-4
Kerb close		619-20
Open int.	34,262	
Total daily turnover	10,179	

■ NICKEL ($ per tonne)

Close	6590-600	6690-700
Previous	6665-75	6765-75
High/low		6810/6680
AM Official	6647-48	6735-45
Kerb close		6700-10
Open int.	54,517	
Total daily turnover	16,414	

■ TIN ($ per tonne)

Close	5335-45	5380-90
Previous	5340-45	5390-95
High/low		5400/5350
AM Official	5360-62	5400-05
Kerb close		5375-80
Open int.	15,782	
Total daily turnover	2,991	

■ ZINC, special high grade ($ per tonne)

Close	1665-9	1488-9
Previous	1674-77	1500-02
High/low	1695/1690	1510/1484
AM Official	1690-92	1509-09.5
Kerb close		1483-4
Open int.	88,266	
Total daily turnover	20,735	

■ COPPER, grade A ($ per tonne)

Close	2192-5	2192-3
Previous	2180-82	2177-78
High/low	2208/2205	2195/2170
AM Official	2208-09	2194-95
Kerb close		2180-82
Open int.	137,043	
Total daily turnover	45,912	

■ LME AM Official £/$ rate: 1.5930
LME Closing £/$ rate: 1.5880

Spot: 1.5936 3 mths: 1.5849 6 mths: 1.5778 9 mths: 1.5723

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	99.15	+1.05	99.30	98.50	273	1,184
Sep	99.10	+0.95	100.20	98.00	6,890	19,725
Oct	99.35	+0.90	100.80	99.60	381	1,870
Nov	99.10	+0.95	99.50	99.20	75	1,496
Dec	99.10	+0.95	100.00	99.00	3,642	11,933
Jan	99.10	+0.95	-	-	27	741
Total					12,348	45,762

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	323.00-323.50		
Opening	321.15-321.45		
Morning fix	321.90	201.654	489.771
Afternoon fix	323.00	203.593	480.249
Day's High	324.50-324.80		
Day's Low	321.10-321.40		
Previous close	322.00-322.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.03 6 months 3.16
2 months ....3.16 12 months 3.40
3 months 3.22

Silver Fix	p/troy oz.	US cts equiv.
Spot	283.60	451.75
3 months	287.75	456.60
6 months	292.15	461.95
1 year	300.80	472.35

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	201-203
Maple Leaf	-	-
New Sovereign	75-77	47-49

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	323.2	+1.9	324.0	323.9	49	184
Sep	323.8	+1.9	-	-	-	-
Oct	324.8	+1.9	325.9	324.2	250	16,019
Dec	326.6	+1.9	327.9	324.4	22,801	110.2k
Feb	328.3	+1.9	328.9	328.2	98	14,144
Apr	330.1	+2.0	330.2	330.2	908	5,392
Total					25,263	195,887

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	412.0	+1.6	417.0	410.5	1,759	10,655
Jan	406.5	+1.1	411.0	406.0	110	2,632
Apr	401.0	+1.1	410.0	406.5	17	425
Jul	397.0	+1.1	-	395.0	-	1
Total					1,876	13,714

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	199.70	-	210.00	199.00	1,491	1,860
Dec	197.20	-	207.50	196.25	854	2,351
Mar	195.20	-	200.00	200.00	41	157
Jun	194.70	-	-	-	-	107
Total					2,345	4,475

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Aug	449.9	+1.8	-	-	37	24
Sep	450.5	+1.5	454.5	446.5	12,873	42,027
Dec	457.3	+1.6	461.0	455.0	4,006	25,529
Jan	458.9	+1.5	-	-	2	22
Mar	463.9	+1.7	465.5	463.0	133	10,772
May	468.1	+1.6	-	-	10	3,076
Total					17,014	89,009

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	19.73	-0.48	20.22	19.65	55,152	107.7k
Nov	19.84	-0.47	20.33	19.80	7,993	45,206
Dec	19.95	-0.41	20.38	19.90	4,984	49,875
Jan	19.95	-0.42	20.32	19.90	2,180	30,715
Feb	20.03	-0.34	20.32	20.00	595	14,774
Mar	20.20	-0.15	20.28	20.20	100	9,028
Total					110,418	419,800

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	18.56	-0.40	18.98	10.53	17,504	61,581
Nov	18.63	-0.41	19.08	18.63	3,764	20,906
Dec	18.78	-0.33	19.15	18.76	1,220	20,149
Jan	18.82	-0.31	19.13	18.82	85	15,857
Feb	19.04	-0.04	19.04	19.02	62	7,007
Mar	18.74	-0.28	19.04	18.74	64	2,800
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	53.55	-1.55	55.20	53.10	14,282	30,690
Oct	54.40	-1.66	56.12	54.20	10,139	36,785
Nov	55.45	-1.46	56.91	55.30	1,881	19,444
Dec	56.40	-1.91	57.71	56.25	1,782	20,767
Jan	57.00	-1.31	58.35	56.80	972	15,716
Feb	57.15	-1.21	58.38	57.05	246	8,789
Total					28,988	150,882

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	169.00	-2.25	171.00	168.75	5,992	22,031
Oct	171.00	-2.25	172.75	170.75	2,561	16,238
Nov	172.75	-2.25	174.00	172.75	592	7,548
Dec	174.50	-1.75	175.25	174.25	792	13,920
Jan	175.25	-1.50	176.00	175.00	370	8,162
Feb	174.75	-1.75	176.00	174.75	227	5,039
Total					10,378	81,869

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	9.980	+0.040	-	-	-	795
Oct	10.710	+0.010	10.710	10.700	75	1,215
Total					160	6,945

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.365	-0.084	2.474	2.340	39,587	34,555
Oct	2.400	-0.078	2.510	2.380	19,352	49,847
Nov	2.535	-0.069	2.625	2.520	3,386	16,035
Dec	2.665	-0.065	2.745	2.650	2,796	19,203
Jan	2.680	-0.060	2.741	2.660	2,892	18,617
Feb	2.495	-0.055	2.550	2.490	1,698	13,925
Total					72,850	225,884

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	67.00	-2.64	68.75	66.60	19,410	33,106
Oct	60.35	-1.80	62.15	60.10	12,526	30,498
Nov	57.85	-1.40	58.80	57.50	3,070	11,283
Dec	56.95	-1.10	57.80	56.60	2,473	12,501
Jan	55.80	-1.16	58.60	55.80	2,254	11,235
Feb	57.80	-0.40	58.05	57.80	110	3,452
Total					38,085	111,283

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	85.10	-0.35	85.00	85.00	14	208
Nov	87.75	-0.35	87.75	87.20	205	4,191
Jan	89.75	-0.35	89.75	89.25	171	2,903
Mar	91.75	-0.35	91.75	91.40	157	1,885
May	93.75	-0.35	93.75	93.35	18	1,037
Jul	95.75	-0.35	95.25	95.25	23	58
Total					574	10,282

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	369.50	+6.25	370.00	364.00	5,256	22,443
Dec	384.50	+7.00	385.00	378.00	11,380	57,882
Mar	396.50	+7.50	397.50	391.00	1,227	16,577
May	399.25	+7.75	399.50	393.00	178	1,876
Jul	392.50	+4.00	392.50	389.50	783	7,478
Dec	408.00	+4.00	411.50	408.00	312	503
Total					19,138	106,778

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	273.00	+10.75	274.00	262.00	9,658	37,265
Dec	277.75	+11.75	278.00	266.75	23,486	165,591
Mar	286.25	+12.00	286.25	275.00	2,730	39,149
May	290.50	+11.25	291.00	280.00	962	10,748
Jul	293.00	+10.50	293.00	282.75	1,579	17,782
Sep	275.00	+8.50	275.00	273.00	38	1,581
Total					38,805	281,714

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Sep	77.50	-1.00	77.50	77.50	11	138
Nov	80.50	-1.00	80.50	80.45	62	996
Jan	82.50	-1.00	82.50	82.50	2	431
Mar	84.50	-1.00	85.00	85.00	3	278
May	86.00	-1.00	-	-	10	23
Total					78	1,886

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Sep	658.25	+12.75	661.00	645.00	4,727	13,346
Nov	624.00	+14.00	625.00	610.00	21,485	83,539
Jan	625.75	+12.00	628.50	622.00	1,551	17,319
Mar	634.75	+11.50	637.00	629.50	816	6,916
May	642.00	+11.25	644.00	637.00	428	5,674
Jul	648.00	+10.25	650.00	643.50	552	5,677
Total					31,284	134,583

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Sep	22.95	+0.83	23.00	22.22	3,074	17,897
Oct	23.10	+0.80	23.20	22.43	616	14,140
Dec	23.45	+0.83	23.60	22.75	4,098	43,441
Jan	23.70	+0.50	23.75	22.98	472	7,766
Mar	23.97	+0.88	23.40	23.25	825	6,499
May	24.20	+0.99	23.50	23.33	182	1,950
Total					10,082	95,202

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Sep	236.2	+4.0	237.2	224.0	7,011	26,080
Oct	213.0	+3.4	214.5	212.5	2,416	15,742
Dec	202.9	+1.6	206.0	202.5	4,987	43,163
Jan	199.3	+1.1	202.5	199.8	916	6,960
Mar	195.2	+1.2	198.8	195.5	1,748	8,670
May	195.2	+2.2	196.9	194.0	234	4,074
Total					20,278	108,546

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	62.0	-	-	-	-	6
Mar	107.0	-5.0	-	-	-	-
Apr	123.0	-5.0	126.0	120.0	86	1,380
May	133.0	-5.0	-	-	-	2
Jun	143.0	-5.0	-	-	-	-
Total					86	1,398

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Aug	1315	-	1322	1315	40	740
Sep	1405	-5	1425	1405	44	591
Oct	1510	+5	1520	1505	73	1,482
Jan	1510	-5	1515	1515	23	296
Total					195	3,197

	Close	Prev
BFI	1301	1293

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	544.00	+3.75	544.00	543.00	31	228
Dec	565.00	+4.75	565.00	563.00	30	132
Total						

FUTURES DATA
All futures data supplied by CMS.

Wool
Australian wool prices were maintained with difficulty this week, at sales in Sydney and Melbourne, Mallett and Company reports. The market indicator closed the week at 689 Australian cents a kg, down from 703 a week before. New Zealand eased for crossbreds, and the indicator fell 15 NZ cents to 475. Withdrawals by growers at their own reserves was a feature in both the main primary markets with around 35 per cent of the NZ offering unsold while in Australia almost 20 per cent was withheld. Holiday still affect a number of wool-using countries in Europe and elsewhere, keeping demand subdued.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1086	+41	1088	1046	3,173	17,182
Dec	1106	+32	1108	1075	6,109	42,420
Mar	1121	+28	1121	1094	2,419	50,782
May	1134	+28	1134	1110	525	22,339
Jul	1145	+27	1143	1120	1,273	7,853
Sep	1159	+24	1160	1143	343	10,990
Total					15,883	174,581

■ COCOA CSCE (10 tonnes; $/tonnes)

Sep	1605	+55	1607	1574	469	1,352
Dec	1618	+49	1620	1585	4,304	38,889
Mar	1646	+49	1648	1612	989	26,492
May	1664	+49	1663	1633	146	12,406
Jul	1684	+49	1659	1648	109	2,564
Sep	1706	+49	1678	1675	53	3,944
Total					6,427	99,676

■ COCOA (ICCO) (SDR's/tonne)

Aug 20	Price	Prev. day
Daily	1226.38	1212.62

■ COFFEE LIFFE (5 tonnes; $/tonne)

Sep	1516	-3	1543	1460	2,603	12,663
Nov	1533	-12	1560	1490	4,009	16,382
Jan	1523	-8	1548	1481	789	7,013
Mar	1505	-5	1500	1469	16	1,964
May	1495	-5	-	-	80	307
Jul	1432	-5	1530	-	30	62
Total					7,419	38,418

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Sep	171.55	+0.85	181.00	164.00	3,408	2,178
Dec	181.85	+6.00	169.00	154.50	6,719	6,760
Mar	147.50	+6.50	153.00	141.75	891	3,987
May	142.25	+6.75	141.50	138.00	375	1,228
Jul	137.50	+7.00	134.50	134.50	333	944
Sep	133.00	+7.00	-	-	5	291
Total					11,793	16,495

■ COFFEE (ICO) (US cents/pound)

Aug 20	Price	Prev. day
Comp. daily	124.63	130.72
15 day average	134.84	135.93

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Oct	325.1	-	325.8	324.4	967	13,852
Dec	322.6	-0.1	323.2	322.3	188	5,544
Mar	324.8	-0.1	325.9	324.4	162	8,434
May	323.1	+0.2	-	-	-	2,089
Aug	321.7	+0.8	322.4	322.0	60	934
Oct	317.1	+0.3	317.7	916.7	60	2,443
Total					1,437	34,393

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.60	-0.09	11.72	11.59	15,108	99,150
Mar	11.89	-0.05	11.99	11.88	9,050	67,441
May	11.86	-0.06	11.95	11.86	2,987	16,526
Jul	11.77	-0.08	11.85	11.77	1,030	10,010
Oct	11.77	-0.07	11.86	11.76	1,393	8,679
Mar	11.74	-0.03	11.75	11.74	173	1,393
Total					28,741	203,328

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	73.79	+0.14	74.00	73.65	854	6,173
Dec	73.89	+0.14	74.05	73.75	3,740	42,466
Mar	75.10	+0.07	75.25	75.04	536	11,886
May	75.85	+0.07	75.93	75.75	899	4,840
Jul	76.60	+0.08	76.75	76.60	730	4,637
Oct	75.70	+0.25	75.70	75.70	93	668
Total					7,204	78,305

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	68.30	-0.75	68.90	67.70	1,577	10,129
Nov	70.10	-0.40	70.50	69.10	1,743	13,257
Jan	73.00	-0.35	73.40	72.35	844	5,888
Mar	76.00	-0.45	76.40	75.20	119	3,777
May	78.75	-0.40	79.15	79.00	126	942
Jul	81.25	-0.40	91.60	91.45	115	492
Total					4,423	34,714

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 21	Aug 20	month ago	year ago
1890.5	1905.6	1909.6	1948.0

■ CRB Futures (Base: 1957 = 100)

Aug 20	Aug 19	month ago	year ago
237.96	239.92		

■ GSCI Spot (Base, 1970 = 100)

Aug 20	Aug 19	month ago	year ago
193.86	194.89	182.76	200.76

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+14,425	to	657,750
Aluminium alloy	-40	to	54,640
Copper	+1,750	to	271,600
Lead	+125	to	118,400
Nickel	+84	to	58,338
Zinc	+3,675	to	379,625
Tin	-45	to	10,895

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	66.950	+0.525	67.000	66.400	1,942	1,297
Oct	68.575	-0.275	69.250	68.500	8,781	49,163
Dec	70.350	-0.15	70.750	70.075	3,898	22,516
Feb	72.425	-0.075	72.650	72.250	1,456	11,237
Apr	74.375	-0.125	74.800	74.250	999	5,251
Jun	71.250	-0.175	71.525	71.125	725	3,244
Total					17,842	93,225

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Oct	70.250	-0.125	70.575	70.000	4,752	17,903
Dec	67.150	-0.1	67.375	67.100	1,581	6,268
Feb	66.325	-0.15	66.400	66.200	390	2,713
Apr	62.500	-0.1	62.700	62.500	131	1,620
Jun	67.050	+0.075	67.050	66.975	36	843
Jul	65.200	-	65.550	65.200	10	645
Total					6,910	30,321

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Aug	86.400	+2.55	86.400	83.600	89	558
Feb	71.050	+0.25	71.700	70.775	1,011	3,531
Mar	71.400	+0.4	71.300	71.200	95	315
May	71.800	+0.325	71.600	70.800	1	25
Jul	72.500	+0.625	71.500	71.000	-	16
Total					1,196	4,454

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1575	46	100	16	59
1620	20	75	40	83
1675	7	55	75	112
■ COPPER (Grade A) LME	Sep	Nov	Sep	Nov
2150	74	120	27	97
2200	46	97	49	122
2250	26	77	79	152
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	107	148	74	125
1550	86	125	103	152
1600	68	105	135	182
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1000	126	156	20	35
1025	106	140	27	44
1050	92	124	36	53
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1800	71	-	-	-
1850	42	-	30	-
1900	28	-	64	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.47-7.50w	-0.35
Brent Blend (dated)	$18.18-8.23	-0.57
Brent Blend (Oct)	$18.48-8.50	-0.55
W.T.I.	$19.64-9.66w	-0.61

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$229-233	
Gas Oil	$168-170	-2
Heavy Fuel Oil	$89-91	-2
Naphtha	$186-188	-4
Jet fuel	$186-187	-3
Diesel	$172-174	-2.5

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	9.00-9.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

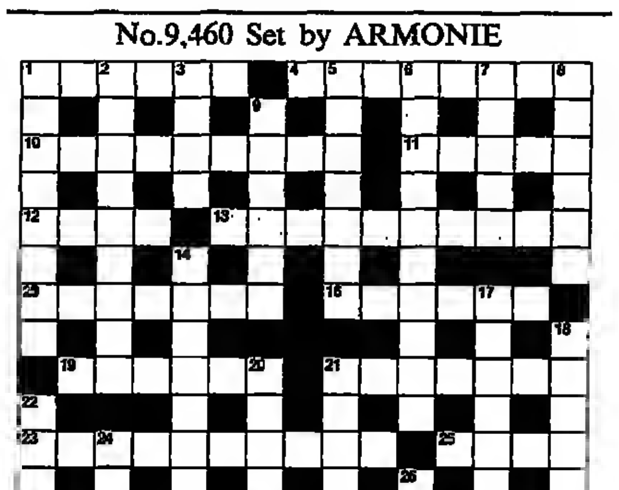
Gold (per troy oz)♣	$323.25	+1.00
Silver (per troy oz)♣	455.00c	+4.00
Platinum (per troy oz.)	$416.00	+10.5
Palladium (per troy oz.)	$190.00	+13.0
Copper	113.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.5163r	-0.12
Tin (New York)	251.5	
Cattle (live weight)	100.09p	+0.70*
Sheep (live weight)	109.29p	-0.69*
Pigs (live weight)†	64.62p	-5.76*
Lon. day sugar (raw)	$284.10	-3.10
Lon day sugar (wte)	$$475.60	+2.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	58.00p	-2.75
Rubber (Oct)♥	59.00p	-3.00
Rubber (KL RSS No1)	252.0z	
Coconut Oil (Phil)§	$87.5y	
Palm Oil (Malay.)§	492.5z	
Copra (Phil)§	$390.0y	+10.0
Soyabeans (US)	212.0	
Cotton Outlook'A' index	81.05c	
Wooltops (64s Super)	429p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,197 head of pigs sold.

JOTTER PAD

CROSSWORD

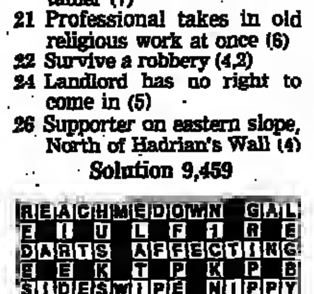
No.9,460 Set by ARMONIE



ACROSS
1 Greek character ushering doctor into car (6)
4 Colleague about to revise is to think deeply (8)
10 Cut into more obsolete storage tank (9)
11 Greek's behind illicit profit (5)
12 Agent in a spot (4)
13 Benny and Leona disturbed ill-fated queen (4,6)
15 A special section for advertisements (7)
16 Play, with advanced technique, the mouth organ? (6)
19 Take away journalist found in The Channel (6)
21 Relationship with scoundrel or animal molester (7)
23 Alien hiding in public dance is lacking restraint (4,3,3)
25 Wicket's hit from cover (4)
27 Volunteer in the mire rejected fact (5)
28 North African nation seizes territory initially for sporting event (5,4)
29 The Garden of Eden is appearing in the show (8)
30 Led, showing some panache, a dedicated group (6)

DOWN
1 Dressing around disabled part of the body (8)
2 Doctor stole item – a onetime sacred shrub (9)
3 There's ruin in rising anger (4)
5 Keen to have attention on retreat (7)
6 Healthy and enjoying one's porridge? (2,4,6)
7 Saw one's daughter get on (5)
8 Incline to support former offer (6)
9 Fuss over wickedness of handsome youth (6)
14 Familiar cat is held by defendant (10)
17 Wickedly run and hide without one. That's sly (9)
18 Churchman about to cut cost for medical treatment (4-4)
20 Mother's mixed drinks container (7)
21 Professional takes in old religious work at once (6)
22 Survive a robbery (4,2)
24 Landlord has no right to come in (5)
26 Supporter on eastern slope, North of Hadrian's Wall (4)

Solution 9,459



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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

Saracin Funds Mngmt (Guernsey) Ltd

PO Box 348, St Peter Port, Guernsey 01481 723021

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Scottish Value Management (Ireland) Ltd (u)

CFP Interest Rate Arbitrage Fund Plc

Calpian Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Singer & Friedlander Inv Funds Ltd (u)

Citizens Investment Trust Mngt Company

CoreStates Fund Management (Ireland) Ltd

Daiwa Europe Fund Mgrs Ireland Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
American Phoenix Investment Portfolios (u)					
[illegible] Luxembourg					00 352 [illegible]
[illegible]		[illegible]		[illegible]	-
BAE Asset Management Ltd					
10 Piccadilly, London W1V 0EE					0171 [illegible]
[illegible] NAV		$561.42		-	-
Interportfolio Fund					
Convertible (US$) Jul 31		$780.93		-	-
Convertible (FFr) Jul 31 F		FFr [illegible]		-	-
Bank Von Ernst & Cie AG					
Marktgasse 63/65, 3001 Berne Switzerland					[illegible]
UK Equity		£17.81		[illegible]	-
UK Smaller Co's Eqty		[illegible]		[illegible]	-
Nth American Equity		$17.55		+0.24	-
US Smaller Co's Eqty		$24.92		[illegible]	-
Pacific Basin Equity		$15.56		+0.12	-
Japanese Equity		¥570		[illegible]	-
European Equity		[illegible]		[illegible]	-
Swiss Equity		[illegible]		[illegible]	-
Sterling Fixed Int		£15.23		[illegible]	-
Sterling Fixed Int Dis		£10.49		[illegible]	-
European Fixed Int		[illegible]		[illegible]	-
European Fixed Int Dis		[illegible]		+0.01	-
DM Bond Cap		[illegible]			-
DM Short Term Cap		[illegible]			-
Global Equity		$15.29		[illegible]	-
Global Bond		$11.[illegible]		[illegible]	-
Global Bond Dis		[illegible]		[illegible]	-

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Foreign & Colonial Portfolios Fd Sicav(u)					
[illegible] Luxembourg					00 352 [illegible]
[illegible]		$43.94		+0.42	-
[illegible]		¥875.00		[illegible]	-
[illegible]		[illegible]		+0.01	-
Emerging [illegible]		[illegible]		+0.01	-
[illegible]		[illegible]			-
[illegible] Distribution [illegible]		[illegible]		+0.07	-
Frontrunner I (u)					
[illegible], Luxembourg					00 352 [illegible]
European Equities		Ecu171.59		-	-
[illegible] Bonds		DM178.40		-	-
Global Bonds		DM159.44		-	-
[illegible]		[illegible]		-	-
[illegible] Bonds		DM179.04		-	-
[illegible] Bonds		[illegible]		-	-
German Bonds		DM106.0[illegible]		-	-
Dollar Bonds		$101.12		-	-
Scandinavian Equities		Ecu[illegible]		-	-
Far East Equities		$89.59		-	-
North American Equities		$106.67		-	-
[illegible] Reserve		DM111.30		-	-
[illegible] Reserve		[illegible]		-	-
[illegible] Reserve		DM102.31		-	-
US Dollar Reserve		$101.35		-	-
ECU Reserve		Ecu111.[illegible]		-	-
[illegible] Reserve		[illegible]		-	-
[illegible]		DM120.5[illegible]		-	-
Bonds [illegible]		DM103.1[illegible]		-	-
Bonds [illegible]		DM102.[illegible]		-	-
[illegible] Bonds		[illegible]		-	-
[illegible] Bonds		DM107.40		-	-
GT Global					

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

هكذا من الأصل

[redacted]

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Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27⅞		*£27⅞	£20¼	2,091	2.7	ф
Barlow	♣†	£7½		£8¾	£5¾	1,541	1.9	15.8
Gold Flds Prop R	†	148¼	+¾	187	132	15.0	5.6	11.3
SA Brews		£18¾	+⅛	£20⅞	£13⅞	5,633	2.0	ф
Standard Bank		£29⅞	+⅛	£30	£21	3,523	1.8	ф
Tiger Oats	†	1010	+10	1100	790	1,528	1.8	19.5
Tongaat-Hulett		775¾	+2½	799¾	676¼	753.2	2.4	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- \- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

UK shares resilient as Wall Street retreats

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Wall Street's third consecutive three-figure rise on the Dow Jones Industrial Average, news that the Bundesbank had left German interest rates on hold and a steep rise in BT stock provided the impetus behind another positive performance by London's equity market.

But lingering worries about the possibility of a further rise in UK interest rates not too far down the road, and a fairly sharp sell off on Wall Street at the start of trading in New York yesterday, took much of the edge off UK shares.

At the close of trading, the FTSE 100 index was left with a 19.6 gain at 4,978.0, a three-day rise of 143.0.

The other FTSE indices also made progress although the FTSE 250 struggled to keep its head above water during a difficult afternoon session, which saw many engineering and export-driven stocks under pressure.

The 250 index closed only marginally up on the day, settling 0.6 firmer at 4,688.0, having come within 3.4 of the 4,700 level shortly after the start of trading.

The FTSE SmallCap, left behind by its senior brethren over the past couple of years, ended the day 8.1 higher at 2,259.0, less than a full point off its session high of 2,259.4, reached in mid-afternoon.

Marketmakers said London's resilience reflected its underperformance against Wall Street and most other European markets over the past year.

"We're getting used to bigger and bigger movements on Wall Street, but equally we're getting used to similarly big rallies, although there is always the worry that the next fall may not be followed by a quick recovery," said one marketmaker.

Although concerned at the recent sell-off, he said there was evidence that the big institutions were still happy to push money into the market.

The trading session kicked off with marketmakers lifting prices across the board, in response to the 103-point jump in the Dow, which extended its rise over the three sessions to more than 4 per cent.

After its initial mark-up, the index took a strong run at the 5,000 level on the FTSE 100, getting to within six points of that level, before running out of steam.

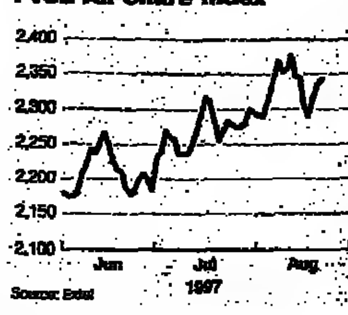
But lingering concerns over the potential for inflationary pressures emerging in the UK economy, highlighted by recent evidence of strong retail sales, began to unnerve the market, with the Footsie slipping back and threatening to move into negative ground over the lunch-time period.

Nevertheless, London had sufficient support at its lowest level to shrug off the later weakness on Wall Street, said by dealers to have reflected little more than profit-taking after the Dow's startling three-day recovery.

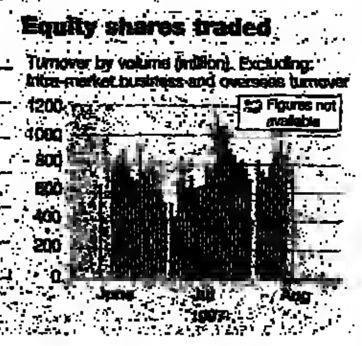
BT took the honours in performance and turnover terms after news that a renegotiation of its merger terms with MCI, the US telecoms carrier, was under way.

Turnover at 6pm was 730.9m shares.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4978.0	+19.6	FT 30	3183.6	+16.4
FTSE 250	4688.0	+0.6	FTSE Non-Fins p/e	19.90	19.98
FTSE 350	2398.7	+7.7	FTSE 100 Fut Sep	5000.0	+20.0
FTSE All-Share	2342.50	+7.59	10 yr Gilt yield	7.09	7.06
FTSE All-Share yield	3.35	3.36	Long gilt/equity yld ratio	2.12	2.11

Best performing sectors		Worst performing sectors	
1 Telecommunications	+4.0	1 Banks: Retail	–0.8
2 Utilities	+2.1	2 Diversified Industrials	–0.7
3 Insurance	+1.1	3 Breweries: Pubs & Rest	–0.6
4 Electricity	+1.0	4 Water	–0.3
5 Tobacco	+0.9	5 Distributors	–0.2

BT up on MCI hopes

By Joel Kibazo and Peter John

Shares in BT were by far the best performing in the FTSE 100, advancing 29 or 7.57 per cent to 412½p on news that the UK group is to review the terms of its proposed merger with MCI Communications of the US.

A review of the original deal was sparked after MCI surprised BT by forecasting huge losses this year because of delays in breaking into US local telephone markets.

One analyst said: "The merger was going to be dilutive so the hope is that a re-negotiation will lead to less earnings dilution. An adjustment in the terms of the deal in favour of BT by say 10 per cent can upgrade earnings per share by around 2 per cent. If the deal is abandoned altogether, earnings per share can be upgraded by around 15 per cent."

The stock has been volatile over the last month as strong buying from supporters of the proposed merger vied with selling pressure coming from the bears suggesting BT should walk away from the MCI deal.

Reflecting on yesterday's share price advance, Mr Jim Ross at ABN Amro Hoare Govett said: "Today's strong rise is simply meant to reflect the view that the deal can be renegotiated."

In a session noted for low volumes, such was the activity in BT that turnover by the close had reached a hefty 69m, the most heavily dealt stock and nearly 7 times the volume of its nearest rival.

Ulster Television shares jumped almost 20 per cent after the company said it was considering buying back shares or paying a special dividend.

Last week, Ulster rose strongly on the rumour of a buy-back and after Scottish Television raised its stake in the company. There was speculation of further buying by Scottish yesterday but the company, which now has an 18.2 per cent stake, quashed the rumours stating it had no plans to make a takeover offer for Ulster TV, although it might increase its stake. It said it regarded its stake in Ulster as an investment.

Later it was announced that Ulster's chairman, J. McGuckian, had bought a further 4m shares in the company at 210p a share.

The company also announced that first-half profit fell to £3.64m from £4.67m a year ago. The shares climbed 38½ to 237½p.

Despite strong first-half figures, Halifax fell 15 to 721p as brokers decided there was better value elsewhere in the sector.

NatWest Securities and ABN Amro Hoare Govett were said to have been two of the brokers recommending a switch out of Halifax and into **Alliance & Leicester**, which bucked the trend with gains of 11 to 632½p.

Otherwise, banks bore the brunt of the profit-taking after recent outperformance. **Standard Chartered** fell 12 to £10.45½ and **HSBC** 33½ to £21.78.

British Energy resumed their advance, rising to a record peak, as power generator stocks continued to react favourably to the industry regulator's pricing proposal unveiled on Wednesday. The shares were up 4 to 170½p.

Elsewhere in the sector, **PowerGen** added 13 at 774½p, while **National Power** firmed 7 to 546½p and **National Grid** 4½ to 269½p.

Shares in UK retailer **Dixons** jumped to a record high after moving ahead for the fourth session in a row. A shortage of stock was said to have squeezed the shares higher and they closed 23 ahead at 662p after trade of 9.4m, making it the second best performing stock in the FTSE 100 index. A Salomon Brothers recommendation earlier this week was also said to boosted sentiment.

Break up hopes for **WH Smith**, which reports figures next week, continued to power the shares. They added another 10 to 383½p.

Shares in **Marks & Spencer** fell 4 to 589p, after the company said it will open three stores in Germany next year. The group opened its first German store in Cologne in October last year. The three stores will be in Dortmund, Essen and Wuppertal and are set to open in autumn 1998.

Maid, the business information company, fell after confirming press speculation that it was in discussions to buy the information service of Knight-Ridder. The share were off more than 13 at one stage on concerns that it would launch a big rights issue to cover the acquisition. However, they recovered to end a net 2 lower at 235p.

Vitec, the broadcast equipment supplier, extended recent gains as the shares recovered from an oversold position.

The stock gained 27½ to 605p, topping the list of FTSE 250 outperformers and making the shares the best performers in the FTSE 250 index over the week as Merrill Lynch published a "buy" recommendation, recommending the shares up to 700p.

Paper and packaging company *David S Smith* saw its share price decline further despite a reversal in the strength of sterling against the D-Mark to which the group is heavily exposed.

The shares fell 1½ to 200½p making a slide of more than 9 per cent over the week.

Buying ahead of figures next week helped **Provident Financial** rise 15½ to 674p and **Reckitt & Colman** 5 to 977p.

A lawsuit from health insurers failed to dent sentiment in **SmithKline Beecham** during early trade and the shares were up 16 in a well supported drugs sector. However, weakness on Wall Street during afternoon trading saw the gains eroded and the stock ended marginally weaker at £11.34½p.

The other leaders, **Glaxo Wellcome** and **Zeneca**, ended a net 16½ higher at £12.65 and 24 up at £19.79 respectively.

Shares in UK cables and construction company **BICC** just failed to end the day at the head of the FTSE 250 index after rising 8 to 177½p after the market appreciated the group's plans for its its troubled German cables operations. This will involve merging BICC's KWO Kabel businesses with those of Dutch group NKF into a new joint venture company to be called Kaiser KWO Kabel.

Leisure and hotels company **Ladbroke Group** yesterday advanced 9 to 260½p, as Merrill Lynch, one of the company's joint brokers, recommended the shares. Volume was 6.1m.

Engineering company **Weir Group**, which published favourable figures on Wednesday, continued to move forward as several brokers continued to publish buy notes on the stock.

Merrill Lynch's engineering team has the stock on its "buy" list as does Charterhouse Tilney.

FT 30 INDEX

	Aug 21	Aug 20	Aug 19	Aug 18	Aug 15	Yr ago	*High	*Low
FT 30	3183.6	3167.2	3156.0	3124.8	3143.3	2821.8	3222.3	2668.8
Ord. div. yield	3.46	3.48	3.50	3.53	3.51	4.04	4.22	3.39
P/E ratio net	18.67	18.61	18.49	18.30	18.40	17.05	18.07	15.80
P/E ratio nil	18.48	18.42	18.30	18.11	18.22	16.89	18.88	15.71

FT 30 since compilation: high 3226.5 12/08/97, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3184.2	3185.9	3177.0	3178.3	3175.3	3183.3	3187.8	3184.5	3186.2	3189.5	3174.0

	Aug 21	Aug 20	Aug 19	Aug 18	Aug 15	Yr ago
SEAQ bargains	41,118	42,395	42,488	47,921	44,454	28,623
Equity turnover (£m)†	-	NA	NA	2567.0	2760.1	1460.2
Equity bargains†	-	NA	NA	47,444	43,709	33,547
Shares traded (mil)†	-	NA	NA	753.3	765.9	581.4

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	984	Total Highs	87	Total contracts	46,114
Total Falls	385	Total Lows	34	Calls	21,588
Same	1,712			Puts	24,526

Aug 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4999.0	5000.0	+14.0	5035.0	4981.0	7943	71083
Dec	5089.0	5067.0	+14.5	5089.0	5067.0	110	6947
Mar		5110.0	+14.0			0	569

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4750.0	+0			0	9103

■ FTSE 100 INDEX OPTION (LIFFE) (*4978) £10 per full index point

	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P
Sep	244	37½	206	51	168	65	135	86	104	107½	79½	135	59	166	42	202½
Oct	290	70	253	84	218½	101½	188½	123	190½	145	130½	169	109½	198	87	227
Nov	338½	99½	301½	113½	270½	132½	240½	153	211	174	181	197	159½	226	137½	255½
Dec	380	117½	346	133½	312½	153½	281	173½	250½	195	221	217½	197½	246½	174½	275
Jan†	519½	190½			458	226			386	264½			347	313½		

Calls 3,539 Puts 1,267

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P
Sep	217	43	180½	56½	147½	73	116½	92	90½	115	68	142½	50	174½	35	209
Oct	267½	75½	232½	90½	200½	107½	169½	128	142½	148	118	173½	96½	201	78	232
Nov	321	106	287	121	254½	137½	223½	155½	195½	177	170	200	148½	226	125	253½
Dec	358	121½			282½	154			234	193			182	239		
Mar†	437½	165			375½	198½			318½	237			265½	280		

Calls 6,707 Puts 2,308 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	400	Antofagasta Uts	402½	-1½	-	-	-	-
§	F.P.	5,121	248½	220½	Billiton	246		RO10c	1.6	2.6	24.4
*	F.P.	7.94	80½	70½	†Blakes Clothing	79½		L1.45	5.1	2.3	8.7
-	F.P.	85.6	109¾	101	Bristol & W Pf	109	-¼	-	-	-	-
§100	F.P.	28.9	145	108½	Cammell Laird	136	-½	L3.8	2.1	3.5	13.1
	F.P.	-	116	114	EMI 8	115		22.75	-	3.1	-
*	F.P.	9.92	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§3	F.P.	4.61	3¾	3½	†Fairplace Cnslig	3¾		-	-	-	-
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	239.5	202	162½	Galen Hldgs	197½	+2	L0.9	5.7	0.6	31.8
§125	F.P.	5.75	135	98	†Helicon Publsg	98	-1	-	-	-	-
§	F.P.	549.5	398½	365½	Ionica	366½	-10	-	-	-	-
§160	F.P.	17.6	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.6
*	F.P.	-	79½	76½	†LEPCO	78½		-	-	-	-
§80	F.P.	4.21	98	93	†Landround	94½		3.3	1.7	4.4	16.8
§173	F.P.	43.9	217½	185½	Metroline	204½	-½	R5.8	2.8	3.5	12.2
100	F.P.	32.7	112½	99½	Reabourne Merlin	108½		-	-	-	-
§100	F.P.	7.77	120½	105½	†SBS Group	109½		L2.4	2.0	2.7	19.3
-	F.P.	-	38½	33	Severn Trent 8	33½		-	-	-	-
-	F.P.	-	54½	42½	†Stentor Warrants	53½		-	-	-	-
	F.P.	-	22¾	19½	Thorn 8	20½		-	-	-	-
-	F.P.	77.5	68½	60	Vigien Tech	63½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 20	% chg on day	Aug 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1424.19	+0.1	1423.37	2036.50	2.21	-	2061.05	1270.14
■ Regional Indices								
Africa (14)	1407.62	-1.5	1429.00	2546.75	5.39	23.52	2685.89	1324.06
Australasia (6)	1571.78	+1.4	1549.56	2409.88	3.38	18.04	2455.10	1336.10
North America (11)	1424.53	+0.4	1419.49	1843.89	0.98	72.37	1854.46	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 21	Day's chge%	Aug 20	Aug 19	Aug 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4978.0	+0.4	4958.4	4814.2	4835.0	3891.1	3.32	2.02	18.63	115.28	2136.22
FTSE 250	4688.0	.....	4687.4	4680.8	4664.0	4402.5	3.54	1.59	22.18	100.49	1964.54
FTSE 250 ex IT	4693.8	.....	4694.5	4690.4	4673.1	4437.3	3.68	1.62	20.95	103.85	1872.91
FTSE 350	2398.7	+0.3	2391.0	2373.1	2340.6	1946.3	3.36	1.94	18.21	54.76	2101.66
FTSE 350 ex IT	2399.5	+0.3	2391.7	2373.8	2340.7	-	3.39	1.95	18.87	22.76	1078.25
FTSE 350 Higher Yield	2295.2	+0.7	2279.8	2268.6	2247.3	1859.6	4.56	1.78	15.60	65.61	1707.47
FTSE 350 Lower Yield	2503.3	.....	2502.3	2478.3	2435.9	2040.4	2.39	2.21	23.62	42.68	1761.76
FTSE SmallCap	2258.89	+0.4	2250.93	2239.74	2228.63	2150.68	3.18	1.74	22.60	44.19	1924.20
FTSE SmallCap ex IT	2224.73	+0.4	2218.46	2206.54	2194.61	2141.98	3.45	1.82	19.91	47.50	1911.75
FTSE All-Share	2342.50	+0.3	2334.91	2317.83	2287.40	1922.48	3.35	1.92	19.40	52.99	2082.73
FTSE All-Share ex IT	2343.30	+0.3	2335.63	2318.50	2287.30	-	3.39	1.94	19.02	22.12	1071.73

■ FTSE Actuaries Industry Sectors

	Aug 21	Day's chge%	Aug 20	Aug 19	Aug 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4933.18	+0.5	4910.71	4800.46	4694.72	3688.72	3.12	1.94	20.64	98.75	2214.18
12 Extractive Industries(5)	4239.95	+0.3	4227.42	4196.97	4257.61	4285.25	3.71	2.38	14.13	104.80	1296.02
15 Oil, Integrated(3)	5246.55	+0.5	5218.44	5084.54	4942.29	3781.08	3.22	1.86	20.86	107.40	2422.44
18 Oil Exploration & Prod(12)	3803.32	-0.1	3807.62	3768.60	3730.99	2651.97	1.51	2.25	36.86	38.65	2330.59
20 GEN INDUSTRIALS(263)	2047.79	.....	2047.30	2056.58	2048.28	2034.86	3.89	1.78	18.23	49.06	1174.52
21 Building & Construction(35)	1384.07	-0.1	1385.49	1384.34	1389.23	1173.34	3.20	1.98	19.75	26.45	1213.87
22 Building Matls & Merchs(30)	1879.31	+0.2	1875.06	1881.33	1881.12	1932.91	4.29	1.74	16.79	42.64	993.73
23 Chemicals(26)	2705.87	-0.1	2708.24	2682.27	2682.77	2402.04	3.77	1.63	20.38	71.65	1353.28
24 Diversified Industrials(15)	1432.66	-0.7	1443.18	1476.91	1457.68	1521.81	5.08	2.01	12.23	46.48	855.10
25 Electronic & Elect Equip(37)	2172.17	.....	2172.72	2142.89	2136.98	2367.33	3.78	1.63	20.27	48.75	1181.06
26 Engineering(66)	2735.87	+0.4	2725.33	2749.33	2754.89	2477.16	3.08	2.34	17.34	52.34	1727.32
27 Engineering, Vehicles(13)	3058.02	+0.1	3054.18	3118.41	3162.17	3109.04	3.31	‡	‡	86.84	1652.10
28 Paper, Pckg & Printing(27)	2158.18	.....	2158.10	2167.74	2159.81	2706.68	4.89	1.78	14.33	63.44	945.99
29 Textiles & Apparel(14)	1024.08	-0.1	1025.56	1026.17	1032.19	1260.54	8.83	0.99	18.53	41.67	673.92
30 CONSUMER GOODS(84)	4607.63	+0.5	4583.00	4543.36	4473.70	3628.70	3.32	1.63	20.58	114.41	1789.52
32 Alcoholic Beverages(7)	3306.68	+0.2	3299.89	3317.49	3307.78	2866.65	3.81	1.99	16.51	90.96	1262.65
33 Food Producers(25)	3105.16	+0.1	3102.20	3074.79	3042.54	2549.75	3.55	1.86	18.89	69.99	1472.30
34 Household Goods(17)	3176.19	+0.5	3160.81	3134.18	3088.80	2578.39	3.21	2.32	16.83	54.26	1306.00
36 Health Care(14)	2286.70	-0.1	2288.40	2286.68	2271.30	2012.70	2.60	1.61	29.82	36.49	1436.31
37 Pharmaceuticals(18)	7430.55	+0.8	7373.99	7258.14	7080.56	5462.80	2.51	1.73	28.86	153.36	2625.23
38 Tobacco(3)	4334.39	+0.9	4295.70	4311.35	4307.25	3574.71	6.50	1.61	10.64	225.73	1175.06
40 SERVICES(270)	2747.52	+0.3	2739.36	2729.74	2703.28	2579.73	2.93	1.98	21.58	51.46	1485.53
41 Distributors(30)	2865.81	-0.2	2872.64	2863.71	2859.77	2824.37	3.29	1.93	18.68	54.79	1099.47
42 Leisure & Hotels(31)	3244.71	+0.8	3217.52	3198.02	3191.04	3216.23	2.87	1.92	22.72	70.15	1801.85
43 Media(41)	4101.05	+0.1	4098.10	4082.80	4031.70	4356.76	2.46	1.94	26.22	75.55	1529.32
44 Retailers, Food(15)	2437.88	+0.6	2422.54	2414.18	2387.30	2040.55	3.41	2.28	16.21	47.61	1624.23
45 Retailers, General(53)	2239.61	-0.1	2241.62	2238.71	2206.37	2155.26	3.18	2.03	18.46	44.81	1336.93
47 Breweries, Pubs & Rest.(22)	3386.22	-0.6	3405.65	3400.82	3393.89	3170.33	3.35	2.29	16.33	62.74	1693.65
48 Support Services(55)	3120.96	+1.2	3084.28	3063.42	3049.70	2476.12	1.68	2.59	28.78	29.79	2035.29
48 Transport(23)	2909.93	+0.9	2884.39	2867.78	2836.05	2414.07	3.45	1.23	29.46	81.92	1271.46
60 UTILITIES(31)	3120.93	+2.1	3056.91	3013.56	3004.61	2354.23	4.61	1.45	18.73	78.08	1453.27
62 Electricity(9)	3444.07	+1.0	3410.32	3323.43	3305.39	2427.97	5.18	2.01	12.05	111.29	1956.93
64 Gas Distribution(2)	2348.41	+0.4	2339.99	2314.76	2299.62	1386.86	5.19	‡	‡	54.50	1329.68
66 Telecommunications(8)	2437.06	+4.0	2343.27	2316.12	2310.43	1997.27	3.79	1.55	21.26	44.69	1172.63
68 Water(12)	2870.80	-0.3	2879.25	2864.84	2873.38	2240.95	5.78	2.27	9.54	90.96	1718.94
69 NON-FINANCIALS(668)	2352.46	+0.6	2339.04	2321.65	2297.18	2025.39	3.47	1.79	20.09	51.65	1877.08
70 FINANCIALS(104)	4645.64	-0.4	4665.38	4631.38	4526.87	3123.96	3.15	2.43	16.33	116.82	2111.33
71 Banks, Retail(10)	7219.83	-0.8	7281.22	7211.08	7000.65	4488.11	2.90	2.55	16.96	183.00	2469.67
73 Insurance(18)	1867.20	+1.1	1847.73	1840.74	1826.92	1479.71	4.66	2.38	8.30	73.86	1508.16
74 Life Assurance(7)	4912.47	+0.6	4882.07	4893.20	4852.89	3529.74	3.50	2.32	15.40	121.00	2145.76
77 Other Financial(28)	3374.34	+0.2	3367.64	3342.59	3305.89	2611.59	3.13	1.99	20.10	70.61	2016.42
78 Property(43)	1994.12	-0.1	1995.29	1993.36	1989.89	1620.87	3.28	1.32	28.78	35.42	1293.35
80 INVESTMENT TRUSTS(127)	3536.27	+0.2	3528.18	3504.76	3493.53	3184.71	2.15	1.17	48.90	46.05	1269.92
89 FTSE All-Share(899)	2342.50	+0.3	2334.91	2317.83	2287.40	1922.49	3.35	1.92	19.40	52.99	2082.73
105 FTSE All-Share ex IT(772)	2343.30	+0.3	2335.63	2318.50	2287.30	-	3.39	1.94	19.02	22.12	1071.73
FTSE Fledgling	1255.54	+0.3	1251.93	1247.48	1244.27	1236.84	3.26	0.94	40.72	25.51	1362.49
FTSE Fledgling ex IT	1253.80	+0.3	1250.18	1246.24	1242.41	1248.38	3.63	0.94	36.65	28.01	1363.01
FTSE AIM	1027.0	+0.3	1024.2	1023.8	1020.5	-	1.03	0.79	80.00†	4.80	942.31

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4989.1	4993.3	4969.3	4971.3	4964.9	4981.4	4989.1	4982.4	4976.6	4994.1	4962.5
FTSE 250	4694.5	4695.9	4695.4	4694.7	4691.5	4690.7	4691.2	4691.1	4688.1	4696.6	4687.8
FTSE 350	2403.7	2405.4	2398.0	2398.7	2393.9	2400.3	2403.3	2400.7	2398.9	2405.7	2393.1
FTSE SmallCap	2253.15	2254.71	2255.13	2255.43	2256.31	2256.43	2256.93	2257.77	2259.34	2259.43	2253.15
FTSE All-Share	2346.65	2348.35	2339.78	2340.49	2337.98	2343.76	2346.60	2344.26	2342.75	2348.64	2337.16

Time of FTSE 100 Day's high: 8:56 AM Day's low: 11:46 AM. FTSE 100 1997 High: 4978.0 (21/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 8:56 AM Day's low: 11:46 AM. FTSE All-Share 1997 High: 2342.50 (21/08/97) Low: 1988.78 (02/01/97)

Further information is available on http://www.ftse.com *

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	291	488½	-1½
AMVESCAP	387	388	+½
ASDA Group†	9,400	154¼	+4½
Abbey National†	3,200	827½	-5
Airtours	388	1183½	+10
Albert Fisher	3,200	39	-1
Alliance & Leicester†	2,800	632½	+11
Allied Domecq†	630	468½	-6½
Anglian Water	332	765½	-8
Argos	523	638½	-3
Arjo Wiggins	424	188½	-5½
Assoc. Brit. Foods†	214	514	+8½
Assoc. Brit. Ports	734	276	-2½
BAA†	718	574	+3½
BAT Inds.†	5,800	514½	+6
BBA	2,300	387½	-2
BICC	3,800	177½	+8
BOC†	1,800	1127½	-3½
BG†	8,000	260	+1
BP†	5,500	809	+8
BPB	417	346½	-3½
BSkyB†	2,500	431½	-3½
BT†	69,900	412½	+29
BTR†	11,000	215½	-3½
Bank of Scotland†	630	420	+1
Barclays†	1,900	1410½	-15½
Bass†	1,800	825½	-15
Blue Circle†	963	420	-3½
Booker	247	314½	+½
Boots†	884	801	-1½
Britannic	25	834	+2½
Brit. Aerospace†	1,200	1447½	-1
British Airways†	3,500	660½	+15½
British Biotech	1,200	180	-6½
British Energy	27,100	170½	+4
British Land†	788	598	+4
British Steel†	7,900	175¾	-¾
Burmah Castrol†	258	1101	+13½
Burton	2,400	128½	-1¼
Cable & Wire†	2,800	575½	+3½
Cadbury Schweppes†	1,500	598	
Caradon	8,500	218½	+1½
Carlton Comms.†	1,600	515½	+9
Centrica†	3,400	89	+¼
Coats Viyella	226	117½	-½
Comm. Union†	2,900	725½	+2
Compass	401	628½	+1½
Cookson	1,700	257	-4
Courtaulds	1,700	327	-5½
Dalgety	247	262	-6
De La Rue	1,100	393	+½
Dixons†	9,400	662	+23
EMAP	88	833½	
EMI†	712	553	+5
Electrocomps	426	483	-5
Energy Group†	1,200	635	-1½
Enterprise Oil†	1,200	695	-4½
FKI	1,300	195	+1
Foreign & Col. I.T.	809	175¼	-¼
Gen. Accident†	1,100	943½	+15
General Elect.†	8,500	380½	-2½
Glaxo Wellcome†	6,200	1265	+16½
Glynwed	477	239½	
Granada†	4,100	814½	+9
Grand Met.†	3,500	585½	+8
GUS†	4,700	637½	-2
Greenalls	88	488	-3½
GRE†	2,100	285	+4
GKN†	1,800	1195½	+3
Guinness†	4,400	579½	
HSBC (75p shs)†	1,900	2178	-33½
Halifax†	4,600	721	-15
Hammerson	00	478½	-1
Hanson†	1,600	304	+5
Harrisons Crosfield	2,100	111	-½
Hays†	670	613½	+13
Hillsdown	1,800	159½	-2½
Hyder	208	844	+½
IMI	831	358½	-2
ICI†	1,100	1039½	+2
Imperial Tobacco†	699	392	-2
Inchcape	1,100	289	-1
Johnson Matthey	494	621	+3½
Kingfisher†	569	743½	+1½
Ladbroke†	6,100	260½	+9
Land Securities†	856	917½	-6½
Laporte	968	691½	
Legal & General†	3,800	453	+6½
Lloyds TSB†	3,500	740½	+1½
LASMO†	822	273	
Lonrho	1,800	122½	
LucasVarity†	2,000	198½	
MEPC	65	474½	
MFI	828	156	-2½
Marks & Spencer†	8,400	589	-4
Mercury Asset Mgmt†	378	1369½	-1½
Morrison (Wm.)	167	178½	-1½
NFC	272	138½	+1½
NatWest Bank†	4,000	793	
National Grid†	10,100	269½	+4½
National Power†	9,600	546½	+7
Next†	317	769½	-3
Northern Foods	431	224½	-½
Norwich Union	5,800	338½	+2½
Orange†	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Premier Farnell	[illegible]	[illegible]	[illegible]
Provident Financial	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Railtrack†	[illegible]	[illegible]	[illegible]
Rank Group†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil Initial†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rio Tinto†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Royal & Sun Alliance†	[illegible]	[illegible]	[illegible]
Royal Bk Scotland†	[illegible]	[illegible]	[illegible]
Safeway†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders	[illegible]	[illegible]	[illegible]
Scottish & Newcastle†	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elect.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Securicor	[illegible]	[illegible]	[illegible]
Severn Trent†	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Ests.	[illegible]	[illegible]	[illegible]
Smith (W.H.)†	[illegible]	[illegible]	[illegible]
Smith & Nephew†	[illegible]	[illegible]	[illegible]
SmKl Beecham†	[illegible]	[illegible]	[illegible]
Smiths Inds†	[illegible]	[illegible]	[illegible]
Southern Elec.†	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Stagecoach†	[illegible]	[illegible]	[illegible]
Standard Chartered†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
TeleWest	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water†	[illegible]	[illegible]	[illegible]
Thistle Hotels	[illegible]	[illegible]	[illegible]
Thorn	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Assurance	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media†	[illegible]	[illegible]	[illegible]
United Utilities†	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread†	[illegible]	[illegible]	[illegible]
Williams	[illegible]	[illegible]	[illegible]
Wolseley†	[illegible]	[illegible]	[illegible]
Woolwich†	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded. † Indicates a FTSE 100 index constituent. Source: Extel, part of FT information.

[redacted]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

CANADA

TORONTO (Aug 21 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 21 / Rand)

INDICES

	Aug 21	Aug 20	Aug 19	1997 High		1997 Low	
Athens SE(31/12/80)	1619.20	1620.09	1613.02	1727.70	23/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	15654.03	15855.67	15477.26	16673.27	7/8	12055.17	3/4
India							
BSE Sens.(1979)	4156.16	4234.63	4165.37	4548.02	5/8	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	603.06	593.17	590.53	740.83	8/7	590.53	19/8
Ireland							
ISEQ Overall(4/1/88)	3644.21	3644.32	3643.68	3725.98	8/8	2725.07	2/1
Italy							
Banca Comm Ital(1972)	908.00	905.18	893.07	969.18	23/7	642.55	2/1
MIB General(2/1/97)	1365.0	1361.0	1343.0	1442.00	23/7	991.80	2/1
Japan							
Nikkei 225(16/5/49)	19131.12	19252.23	18861.00	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	291.13	291.73	289.92	303.71	26/7	261.04	27/1
SMI Index(1/7/88)	5568.8	5600.1	5580.1	6012.80	8/7	3922.90	7/1
SPI General(1/9/87)	3640.75	3648.82	3584.95	3768.79	8/7	2598.22	6/1
Taiwan							
Weighted Pr.**(30/6/66)	10025.13	9855.16	9712.45	10066.35	31/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	593.04	588.41	590.44	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat 100(1986)	1975.00	1930.00	1940.00	2060.09	7/8	895.00	2/1
WORLD							
MS Capital Intl(1/1/70)	955.8*	956.8	947.3	981.80	31/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2686.38	2677.21	2633.70	2794.80	7/8	1883.80	2/1
FTSE E 100(26/6/90)	2259.87	2270.67	2236.91	2355.95	7/8	1592.98	2/1
HSBC JC Drgn(31/12/88)	(u)	411.91	400.25	434.83	6/8	381.83	28/4
ING Brngs Emrg(7/1/92)	(u)	182.59	180.68	196.81	9/7	158.74	3/1

INDEX FUTURES

■ CAC-40 (MATIF/MONEP) (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	3000.0	2965.0	–22.0	3003.0	2957.0	13,318	28,607
Sep	3006.0	2973.0	–22.0	3006.5	2966.5	2,018	24,568
■ DAX							
Sep	4290.0	4217.0	–50.0	4301.5	4199.5	22,486	90,728
Dec	4325.0	4251.5	–57.5	4330.0	4237.0	674	5,018

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2625.00	2578.00	–35.00	2628.00	2575.00	8,575	7,425
Sep	2638.00	2589.00	–36.00	2640.00	2583.50	5,885	16,649
■ SOFFEX							
Sep	5725.0	5669.0	–29.2	5734.0	5612.0	4,897	21,829
Oct	5711.0	5677.0	+22.4	5716.0	5704.0	342	2,724

** Sat Aug 16: Taiwan Weighted Price 9708.57; Korea Comp Ex 748.41. Base values of all indices are 100 except Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 20 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours Index: Aug 21 - 4204.81 -47.12

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	Aug 20	Aug 19	Aug 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8021.23	7916.10	7803.36	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.87	104.22	104.13	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2932.32	2880.41	2873.86	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	232.56	232.34	230.37	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 8087.05 (7947.37) Low 7870.85 (7776.65) (Theoretical♠)
Day's high 8021.23 (7918.80) Low 7893.71 (7803.09) (Actual♠)

Standard and Poors							
Composite‡	939.35	926.01	912.49	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¥	1105.35	1089.23	1072.62	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	108.24	106.67	105.23	111.88 (31/7)	80.75 (2/1)	111.00 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	485.70	479.54	473.55	487.00 (6/8)	389.47 (11/4)	487.00 (6/8/97)	4.84 (25/4/42)
Amex Comp.	646.76	641.22	634.59	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1628.70	1600.71	1589.52	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 15	Aug 8	Aug 1	Year ago
Dow Jones Ind. Div. Yield	1.69	1.61	1.58	2.22
	Aug 20	Aug 13	Aug 6	Year ago
S & P Ind. Div. yield	1.50	1.53	1.47	2.02
S & P Ind. P/E ratio	25.75	25.27	26.35	21.74

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Compaq	10,920,700	64⅞	+4⅛
Pepsico	5,502,100	35⅞	-⅛
Philip Mrrs	5,052,400	45½	+1
Pfizer	4,795,000	55⅞	+2⅜
Am Home Prd	4,481,100	74⅛	-2⅛
Micron Tech	4,363,600	47⅛	+⅜
Gulf Can Rs	4,269,800	7⅛	+⅛
Gen Elec	4,139,700	67⅜	+1⅛
IBM	3,746,100	100	....
Coca Cola	3,696,500	61½	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 20	Aug 19	Aug 18
New York SE	509.672	545.580	517.158
Amex	28.050	20.790	20.310
NASDAQ	723.219	663.568	554.615
NYSE			
Issues Traded	3,372	3,390	3,399
Rises	1,931	2,037	1,393
Falls	889	808	1,473
Unchanged	552	545	533
New Highs	205	100	65
New Lows	16	16	34

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	944.00	941.05	–3.50	944.00	941.05	59,849	185,511
Dec	952.50	951.50	–3.10	952.80	951.50	1,986	11,868

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	19350.0	19100.0	–100.0	19350.0	19090.0	15,145	175,135
Dec	19300.0	19090.0	–90.0	19300.0	19090.0	1,445	20,384

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 21, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sakura Bank	16.5m	795	+37	Matsushita E Ind	3.9m	2300	-30
Nippon Steel Corp	6.4m	306	-4	Mitsubishi Corp	3.9m	1250	-20
Nichido F & M Ins	5.2m	800	+1	Kajima Corp	3.8m	666	+30
LTCB	4.7m	609	-4	Mitsubishi Heavy	3.7m	810	+1
Obayashi Corp	4.3m	768	+26	Toshiba Corp	3.7m	730	-14

Prices supplied by Extel, part of FT Information

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close August 21

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	24⅛	AAR x	0.42	1.4	26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	32⅝	AMP x	1.04	2.0	42	6575	52	50¹³⁄₁₆	51⅞	-⅜
[illegible]	76⅞	AMR			2	[illegible]	107⅛	106	106¹⁄₁₆	-1¹⁄₁₆
[illegible]	29⅞	ASA x	1.20	3.9	20	[illegible]	[illegible]	30¼	[illegible]	+⅛
[illegible]	49¾	Abbott	1.08	1.9	24	[illegible]	[illegible]	60⅝	61⁵⁄₁₆	[illegible]
20½	14½	Abitibi	0.40	2.2	[illegible]	[illegible]	[illegible]	[illegible]	18¼	[illegible]
25	17⅞	ABM Ind	3.40	1.6	22	45	24⅝	24½	24½	[illegible]
24⅛	[illegible]	Acceptecrn			11	39	22¼	21¹⁵⁄₁₆	22⅟₁₆	[illegible]
[illegible]	[illegible]	ACE Ltd	0.92	1.1	11	250	[illegible]	[illegible]	[illegible]	-¼
10¾	10	ACM Gvt In x	0.90	8.6	11	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	7	ACM GvOpp x	0.63	8.2		[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	9¼	ACM Man x	0.90	9.1		[illegible]	10	[illegible]	[illegible]	
10½	5⅛	Acme Elect				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20	13	Acme Mts				32	[illegible]	14½	14½	[illegible]
22¹¹⁄₁₆	14	ACNielsen			40	1744	[illegible]	21½	22	
29¾	19½	Acuson				2949	[illegible]	[illegible]	[illegible]	+1⅞
24½	19⅝	Adams Exp x	0.55	2.2	1	249	[illegible]	[illegible]	24	-⅛
48½	24⅞	AdvMic				27294	[illegible]	41	41¹⁵⁄₁₆	[illegible]
27½	[illegible]	Advest Grp	0.12	0.5	16	166	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

NYSE PRICES

4 pm close August 21

[illegible]

Stock	Div.	Yld.	P/E	100s	High	Low	Close	Chng
49 40½ Xtra Corp x	0.80	1.7	18	37	47⅛	46 [illegible]	47	[illegible]
25 20¾ Yankee Egy	1.34	5.7	14	63	24	23⅞	23½	-⅛
56 37⅞ York Inl	0.48	1.1	14	1563	45¾	44½	45 [illegible]	-⅛
6 [illegible] 4 Zapata	0.20	4.7	50	263	6	5⅞	6	[illegible]
13⅛ 9⅛ ZenithEl				1089	10 [illegible]	10 [illegible]	10 [illegible]	[illegible]
28⅞ 24⅝ Zenith Nat	1.00	3.7	18	78	27 [illegible]	27⅞	27⅞	-¼
8 [illegible] 7⅛ Zenix Inc	0.73	9.2		221	7 [illegible]	7⅞	7 [illegible]	
28¾ 17¾ Zero x	0.12	0.4	20	30	27¾	27⅞	27⅝	[illegible]
12 [illegible] 10¾ ZweigFd	1.20	9.7		246	12⅛	12 [illegible]	12⅞	+⅛
9 [illegible] 6 Zweig Totl x	0.84	9.3		504	u9 [illegible]	8 [illegible]	6	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

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AMEX PRICES

4 pm close August 21

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 21

[illegible]

- L -

Stock	Div.	P/E	100s	High	Low	Last	Chng
Labone	0.72	42	163	17	15½	15¾	-1
Ladd Furn		21	66	10	15¾	15¾	-⅛
Lam Rsch			43103	u67⅞	63⅛	63½	-2 [illegible]
Lancaster	0.72	17	121	50¼	48½	49½	-¾
Lance ♣	0.96	23	208	21⅛	21	21	-⅛

- R -

Stock	Div.	P/E	100s	High	Low	Last	Chng
Rainbow ♣		14	635	18⅞	10	10⅞	+¼
Rallys			419	2⅛	d1 [illegible]	2 [illegible]	
Raymond	0.25	16	z0	32⅞	32⅞	32⅞	
RCSB Fin	0.80	17	426	48⅝	48	48⅛	-⅛
Read-Rite		27	11914	27⅞	26¾	26 [illegible]	[illegible]
Recoton		20	321	13¾	13¼	13½	-⅜

- X - Y - Z -

Stock	Div.	P/E	100s	High	Low	Last	Chng
Xilinx ♣		36	14507	54½	51⅞	52¼	-2⅝
Xircom		262	0582	16⅛	15¾	15 [illegible]	[illegible]
Xoma Corp			2985	6⅝	6⅜	6⅜	[illegible]
Yahoo			4312	u57¾	55¾	55¾	-1⅝
Yellow			2044	28⅝	27⅝	28⅝	[illegible]
York Rsch		16	603	9¼	0	6 [illegible]	[illegible]
ZionsUtah	0.48	19	128	36¼	35 [illegible]	35½	-¼

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875	Lernout & Hauspie	US$28.875	+0.75	6550	34	25
Artwork Systems	US$8.625	-0.125	25678	11.125	8.625	Mercer Int'l	US$10.625		0	11.75	0.125
Chemunex	FFr10	-0.5	0	18	10	NTL	US$22		0	25.125	21.625
Dobrovic Holdings	GBP6.55	-0.15	55000	7.15	4.5	Pn Tech	US$3.375		0	6.125	3.375
Dr Solomon's ADS	US$24.75	+0.125	0	28.375	10.875	Schoeller-Bleckmann	Sch1443	+13	63090	1443	900
EDAP TMS	US$7.3125	+0.1875	0	9.125	6.9375	Topcall Int'l	Sch3130	-40	4360	3363	3065
Esprit Telecom ADS	US$5.875		0	12.25	5.375	Turbodyne Technol	US$4	+0.27	15800	4	3.73
Innogenetics	US$10.625	+0.125	137021	12.75	10						

Prices for 21/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9930)

Dow turns lower at midsession

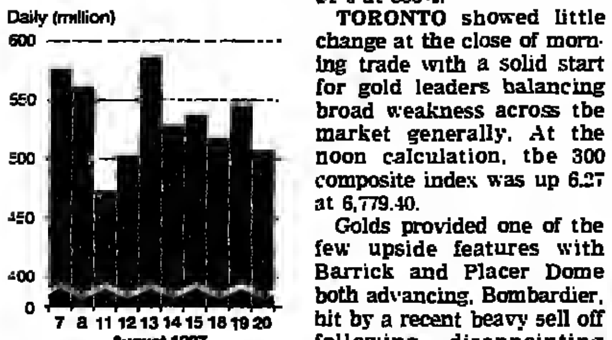
AMERICAS

Investors remained on the sidelines on Wall Street at midsession as the market's three-day rally came to a halt, *writes John Labate in New York.*

All the main stock indices moved sharply lower throughout the morning, with the blue-chip Dow Jones Industrial Average down 77.11 or just less than 1 per cent at 7,944.12. The broader Standard & Poor's 500 Index was off 7.18 at 932.17. Technology stocks turned mostly lower and the Nasdaq composite index lost 9.81 at 1,618.89.

"You've got a lot of hot money chasing short-term trends," said Mr Michael Metz, chief investment strategist at Oppenheimer in New York.

NYSE volume



Source: FT

Many of the market's leading losers were those that investors had bid up higher earlier in the week. Eastman Kodak, which was one of the Dow's biggest winners on Wednesday, plunged $2 1/16 at $65 7/16 while Procter & Gamble moved $2 lower at $139.

The day's trading brought the Dow and S & P close to the levels at which the two indices had traded before last Friday's 247-point plunge in the Dow. The Nasdaq index, however, remained well above its range for that period.

While large company stocks moved lower, small and mid-sized company shares were less prone to the sell off. The Russell 2000 index was down by less than one point at 418.27.

Telecommunications company MCI lost hugely on continuing uncertainties of the merger agreement with British Telecom. The second largest US long distance company plunged $5 or more than 13 per cent at $31 11/16.

ADR shares in BT, meanwhile, gained nearly 7 per cent at $66 1/16. Regional telecom stocks also moved mostly higher on MCI's uncertainty, as Nynex gained $1 1/8 at $58 1/16 and Bell Atlantic rose $3/4 at $75 1/2.

Among technology stocks, software leader Microsoft moved lower by $1 1/16 at $139 1/2 while Adobe Systems plunged $2 3/4 at $40 11/16. On the upside, Compaq Computer continued to rise, adding $1 3/8 at $66 3/4.

TORONTO showed little change at the close of morning trade with a solid start for gold leaders balancing broad weakness across the market generally. At the noon calculation, the 300 composite index was up 6.27 at 6,779.40.

Golds provided one of the few upside features with Barrick and Placer Dome both advancing. Bombardier, hit by a recent heavy sell off following disappointing results, rallied modestly. Barrick added 50 cents at C$32.60 and Placer put on 40 cents to C$24.60. Bombardier, down 12 per cent over the previous three sessions, recovered 15 cents to C$28.00.

Banks were dull. Royal Bank of Canada shed 50 cents to C$62.75 and Toronto-Dominion Bank lost 25 cents to C$41.55.

Bank of Montreal was off 75 cents at C$55.80. Among industrial leaders, Alcan shed 25 cents to C$51.70 and BCE came off 15 cents to C$41.25.

London Insurance, at the centre of a potentially lively takeover tussle following this week's counterbid from Great-West Lifeco, eased 15 cents to C$34.00.

Sao Paulo 3.1% higher

SAO PAULO reversed Wednesday's steep 3.3 per cent decline in lively morning trading. The government provided some clear insights into its privatisation plans and market leader Telebras came in for a broker's upgrade. CS First Boston moved the shares from "buy" to "strong buy". At midsession, the Bovespa index was 333 or 3.1 per cent higher at 11,182.

MEXICO CITY traded quietly in subdued volume. Telmex dipped 15 centavos to 20.40 pesos. Financials were mixed. Bancomer added 10 centavos at 5.70 pesos but Banacci lost 20 centavos to 24.75 pesos. The IPC index was 24.26 lower at 5,099.90 at midsession.

SANTIAGO trod water in minimal turnover. At midsession, the IPSA index was down 0.40 at 133.55.

South Africa pushes up

South Africa took its cue from Wall Street's overnight rally, but concerns about the rand's plunge to record lows against the dollar put a damper on sentiment. Industrials added 18.1 to 9,164.3, all-shares were up 25.3 at 7,463.1 and golds were up 14 at 1,027.6 points.

Rand hedge stocks were boosted, with Randgold ending more than 8 per cent stronger at R17.25 after touching a day's high of R18.

Industrials shed some of their morning gains but still managed to close firmer and dealers said the underlying market mood remained positive. Trade was restrained with the market is awaiting a key speech by Chris Stals, the governor of the Reserve Bank, next week.

Bourses run out of steam in late trading

EUROPE

The easier dollar and Wall Street's slow start prompted many of the European bourses to run out of steam in the second half of the trading day.

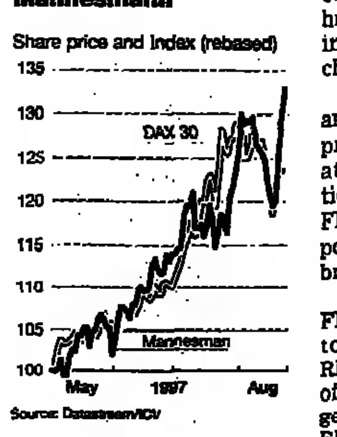
FRANKFURT moved sharply lower late in the session with the Dax index losing 49 points between the floor close and the end of electronic trading. At an Ibis-indicated 4,204.81, the Dax finished off 47.12 on the day. The bond market shaded, although the Bundesbank sat on its hands at the repo.

Bright spots were rare. Diversified utility VIAG pushed higher after reporting interim figures that were ahead of broker expectations, and Mannesmann extended Wednesday's results-led rally.

VIAG announced a 28 per cent advance for pre-tax profits and jumped DM29.60 to DM813.90 amid talk of brokers raising earnings estimates. Upgrades got firmly behind Mannesmann, which rose DM15 to DM889 following a morning meeting with analysts.

SBC Warburg felt that the interim results confirmed a far more optimistic view of Mannesmann's non-telecoms businesses which have been slow performers in recent years. The broker moved from "neutral" to "buy" on the shares.

Mannesmann



Source: Datastream/ICV

In marked contrast, Linde tumbled DM36.50 to DM1,292 following mildly disappointing six-month numbers. Recent strong performers ran into profit-taking. Volkswagen lost DM31.90 at DM1,360.1 and Commerzbank, buoyed by takeover talk on Wednesday, shed DM3.30 at DM69.4.

PARIS came within seven points of the 3,000 level – last breached on August 7 – before sliding back to close another low-volume session with the CAC 40 index off 22.04 at 2,957.23.

Traders spent much of the day casting about fruitlessly for leads. "The volume figures sum up the mood succinctly enough", said one broker. At the close of trading, only 8.5m shares had changed hands.

Suez Lyonnais des Eaux and Buoygues made steady progress. Suez added FFr12 at FFr667 and the construction leader gained FFr1 to FFr513 after reports that a positive note from a top US broker was in circulation.

Total came off FFr4 to FFr621 in spite of an upgrade to "buy" from Paribas. Rhône Poulenc and CCF, two of the previous session stronger rises, retreated, dipping FFr6.10 to FFr248.60 and FFr10.60 to FFr324 respectively.

ZURICH turned back at midsession after an early attempt to extend a two-day rebound ran out of steam as profit-taking and derivatives-linked selling took the upper hand. The SMI index ended 21.3 lower at 5,668.8.

SAir Group, parent of the Swissair airline, came back from a high of SFr1,999 to end just SFr5 higher at SFr1,970 after first-half results came in clearly above market expectations. One analyst said that many investors had clearly judged the time right to take profits after the 80 per cent rise in the share price since the start of the year.

CS Group and Winterthur lost ground on profit-taking after their strong gains of the previous two sessions. CS Group fell SFr6 to SFr189.50 as the CEO, Lukas Muehlemann, reiterated that there were currently no plans to strengthen ties between CS and Germany's Commerzbank. Winterthur fell SFr47 to SFr1,377.

AMSTERDAM paused for breath after its rally this week, as Wall Street's dip encouraged mild profit-taking. The AEX ended down 9.4 at 950.29 after reversing early small gains.

ABN Amro dragged down the index as the market signalled its disappointment with its half-year results. The share, which has had a good run, tumbled 5.6 per cent, or Fl 2.70 to Fl 45.40.

Other financial shares were pulled down in ABN's wake, with ING losing Fl 2.10 or 2 per cent to Fl 96.40. But insurer Aegon bucked the trend, adding Fl 2.60 to Fl 156.20 ahead of its half-year results today. Food group Nutricia, which released half-year results after the close of trade, shed Fl 4.60 to Fl 354.90. Philips ticked up another Fl 1.10 to Fl 159.50 after a good run on Wednesday in response to the successful auctioning of 100m shares in Taiwan Semiconductor.

COPENHAGEN ticked up on good half-year results, which overshadowed Wall Street's declines. The KFX index of blue chip shares closed 1.13 higher at 186.56.

Unidanmark, Copenhagen Airports and Den Danske Bank shone after releasing better than expected results. But Den Danske Bank succumbed to profit taking in the afternoon. The share closed DKr5 lower at DKr710 after coming off a high of DKr740 after releasing its first-half results.

HELSINKI edged lower on profit-taking triggered by Wall Street's downturn. The HEX general index closed down 1.52 at 3,557.70 on low turnover. Profit-taking in Nokia, down FM2 at FM462, led the decline. Brokers said the strong demand from US investors appeared to have dried up for the day.

There was also light profit-taking in forestry shares, with UPM Kymmena losing 50 cents to FM137.80.

ISTANBUL rebounded after the 3.8 per cent fall of the previous three sessions and the IMKB National-100 index finished 45 or 2.3 per cent higher at 1,975.

Volume also increased 23 per cent to TL21,200bn as the cash shortage which had dominated the money market faded in late trade.

Written and edited by Michael Morgan, Jeffrey Brown and Greta Steyn

FTSE Actuaries Share Indices — European series

August 21

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total return (Ecu)
FTSE Eurotop 300	972.43	−0.63	−6.14	2.33	0.00	974.57
FTSE Eurotop 100	2259.87	−0.48	−10.80	–	–	–
FTSE Eurotop 300 Regions						
300 UK	973.86	−0.52	−5.11	3.35	0.00	979.79
300 Ex-UK	971.51	−0.69	−6.73	1.76	0.00	971.58
300 Eurobloc	972.44	−0.76	−7.47	1.93	0.00	972.55
300 Ex-Eurobloc	972.42	−0.53	−5.18	2.62	0.00	976.04
FTSE Eurotop 300 Economic Groups						
Resources	1003.80	−0.46	−4.61	2.76	0.00	1005.33
General Industries	995.89	−0.74	−7.41	1.98	0.00	996.52
Consumer Goods	946.91	−0.29	−2.73	1.96	0.00	948.12
Services	964.08	−0.74	−7.21	2.31	0.00	965.15
Utilities	949.98	+0.28	+2.63	3.31	0.00	954.73
Financials	972.62	−1.10	−10.86	2.36	0.00	975.63

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Hong Kong slips 1.3% in record setting volume

ASIA PACIFIC

A sharp reverse in late trade left **HONG KONG** 1.3 per cent lower after another session of record breaking volume.

Dealers said worries about the outlook for interest rates came to the fore and reversed early gains. The Hang Seng index rose to an intra-day high of 16,184.30 before the late pull-back left it 201.64 lower at 15,654.03.

Turnover, however, was a record HK$41.1bn, smashing through Wednesday's previous record of HK$36.2bn.

H-shares, which had staged a furious rally throughout the session, saw their gains pared by the close. The H-share index ended 22.50 higher at 1,514.90 after pulling back from 1,608.17.

Poly Investments soared HK$1.085 or 59 per cent to HK$2.925 before trading suspended just ahead of the midsession close pending an announcement.

TOKYO met with heavy selling of blue chip exporters by investment trusts and moved lower, although strong performances by leading construction shares helped limit overall losses, *writes Gwen Robinson.*

The Nikkei 225 average ended 95.11 lower at 19,157.12 after moving between 19,124.51 and 19,394.14.

The 225 index stayed around the 19,200 level for most of the morning. Investors' mixed view of the market was reflected in basket-style purchases by institutional investors and heavy selling by investment trusts.

Volume rose to an estimated 386m shares from 363m. Declines led 576 to 505 with 177 unchanged.

The Topix index of all first-section stocks fell 2.97 to 1,489.11 and the capital-weighted Nikkei 300 was off 0.60 at 291.13

In London, the ISE/Nikkei-50 index rose 6.06 to end the day at 1,654.28.

Textile-related issues, widely seen as market laggards, rose more than 1.5 per cent on strong demand from foreign investors.

Analysts said their popularity highlighted moves by some large investors to reshuffle their portfolios, and growing interest in under performing domestically-oriented stocks. Teijin gained Y34 to Y509, Toray Industries Y17 to Y809 and Asahi Chemical Industry Y43 to Y660.

Blue chip exporters mostly retreated. Kyocera fell Y200 to Y8,730, Toyota fell Y120 to Y3,150 and TDK Y80 to Y11,400. Canon fell Y50 to Y3,560, but Nikon rose Y10 to Y2,370 and Nissan gained Y15 to Y747.

Banks, by contrast, mostly improved. Sakura Bank, the day's most active issue, continued to draw buying interest from foreign investors, rising Y37 to Y795. Asahi Bank rose Y28 to Y905 and Sumitomo Bank Y20 to Y1,910. Daiwa Bank, however, fell Y16 to Y669.

In Osaka, the OSE average rose 26.40 to 20,142.51 in volume of 69.8m shares.

KUALA LUMPUR pulled sharply back on profit-taking after Wednesday's 5 per cent bounce. The composite index registered a fall of 20.33 or 2.2 per cent at 909.24 by the close as the market's bearish trend reasserted itself.

Financial stocks were among the day's weakest issues, falling 2.9 per cent after Standard & Poor's lowered its outlook to negative from stable. Malayan Banking was M$2 lower at M$22 and Arab-Malaysian Merchant Bank was down 80 cents at M$12.

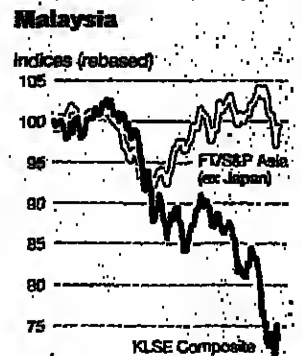
Rekapacific sank 73 cents to M$2.18 in the day's most active trading as the property development and garment concern was requoted after being suspended since July 14.

The group said last week that it was buying a gaming business.

MANILA closed higher for the second day running, bolstered by Wall Street's overnight climb and bargain-hunting in blue chips. The composite index rose 50.98 or 2.1 per cent to 2,459.04. The peso continued to rally modestly in the foreign exchanges, but investor sentiment remained fragile. Volume eased further to 2.2bn pesos. Property was again the best performing sector with Ayala Land up at 0.75 pesos at 18.50 pesos.

SYDNEY rose 18.10 to 2,648.7 on the All Ordinaries index. Qantas was the day's main feature, turning in solid annual results and gaining 5 cents to A$3.06.

Malaysia



Source: Datastream/ICV

News of a takeover bid sparked interest in smaller gold mines. Great Central is bidding for Wiluna Mines and Eagle Mining. They rose 11 cents to 70 cents and 50 cents to A$3.20 respectively.

JAKARTA ended higher as the strengthening of the rupiah boosted sentiment, but news of Standard & Poor's downgrading of some large banks pared gains. The composite index closed 9.89 up at 603.06, off the 610.31 high reached earlier.

Banking shares climbed as the embattled rupiah strengthened and as a result of Wall Street's overnight rally. But S & P's downgrade to a negative from a stable outlook for a number of banks reversed most of the gains. The second largest private bank, Bank Danamon, tumbled from its day's high of R950 to close R25 lower at R900.

However, Bank Nagara Indonesia held on to a R50 gain to R1,200 on market talk that the government was likely to continue to support share prices, especially those of state-owned firms.

TAIPEI notched up healthy gains, encouraged by Wall Street's rise. The weighted index added 169.97 to 10,025.13, near its peak of 10,054.55. High-technology shares led the market higher, surging another 4.1 per cent after Wednesday's 4.2 per cent gain. Microchip giant Taiwan Semiconductor rose T$7 to T$164 after Philips's successful auction of 100m shares.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	WEDNESDAY AUGUST 20 1997 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY AUGUST 19 1997 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (76)	229.92	0.8	214.07	171.64	221.94	206.03	0.4	3.74	228.12	210.56	170.43	217.79	205.24	243.87	200.17	204.43
Austria (25)	195.95	0.4	182.45	146.28	189.18	189.04	1.5	1.74	195.22	180.20	145.85	186.38	186.27	208.00	174.70	178.44
Belgium (28)	237.43	−0.1	221.06	177.25	229.20	224.55	1.0	3.04	237.72	218.43	177.61	226.96	222.42	261.11	213.92	216.72
Brazil (30)	262.33	−3.0	244.24	195.83	253.23	525.70	−3.1	1.40	270.51	249.70	202.10	258.26	542.39	322.44	172.54	180.71
Canada (126)	217.24	0.9	202.27	162.18	209.71	219.16	0.9	1.68	215.37	196.80	160.91	205.62	217.22	224.03	162.51	162.54
Denmark (32)	386.15	0.8	359.52	288.27	372.75	371.45	1.9	1.47	383.24	353.75	286.33	365.89	364.80	421.25	316.97	318.23
Finland (28)	302.57	1.2	281.71	225.87	292.07	351.68	2.0	1.56	299.10	276.09	223.47	285.56	344.84	314.06	205.88	209.02
France (83)	225.47	0.3	209.92	168.32	217.65	221.21	1.4	2.38	224.88	207.58	168.01	214.70	218.22	237.57	167.42	180.73
Germany (59)	225.58	0.2	210.03	168.40	217.76	217.76	1.4	1.31	225.04	207.73	168.14	214.85	214.85	238.42	172.93	176.00
Hong Kong, China (66)	550.12	3.0	512.19	410.68	531.04	546.73	3.0	2.81	534.33	493.21	399.21	510.13	530.93	580.03	421.41	433.81
Indonesia (27)	176.23	3.1	164.08	131.56	170.11	300.00	0.6	2.17	170.87	157.72	127.66	163.13	298.22	264.90	166.14	185.28
Ireland (17)	366.37	−1.4	341.11	273.50	353.67	358.27	−0.3	2.72	371.84	343.04	277.88	354.81	359.54	376.16	264.36	265.72
Italy (53)	98.28	0.6	91.50	73.37	94.87	132.66	1.4	1.79	97.71	90.19	73.00	93.29	130.83	105.79	73.26	76.06
Japan (485)	130.85	0.7	121.83	97.68	126.31	97.68	0.7	0.81	129.91	119.91	97.05	124.02	97.06	149.58	107.57	147.82
Malaysia (107)	407.41	5.2	379.32	304.14	393.28	435.73	4.8	1.60	387.40	357.59	289.44	369.86	415.30	660.85	383.53	545.55
Mexico (27)	1836.10	1.8	1709.52	1370.89	1772.43	15581.17	1.7	1.44	1807.12	1668.07	1350.15	1725.29	15320.47	1884.38	1136.59	1303.48
Netherlands (19)	413.18	0.1	384.68	308.43	398.83	394.23	1.2	1.98	412.79	381.02	308.40	394.09	393.61	431.68	297.04	304.24
New Zealand (14)	89.03	0.2	82.89	66.46	85.94	73.81	0.5	3.99	88.82	81.98	66.36	84.79	73.46	96.47	82.94	82.94
Norway (41)	315.09	−1.1	293.37	235.22	304.16	330.63	0.0	1.66	318.47	293.97	237.94	304.05	330.57	330.72	247.83	247.93
Philippines (22)	127.90	2.7	119.08	95.48	123.46	191.21	1.9	1.09	124.51	114.93	93.02	118.87	187.70	214.07	124.51	199.33
Singapore (42)	340.65	2.9	317.17	254.30	328.84	236.49	2.5	1.31	331.08	305.61	247.36	316.09	230.64	448.01	329.94	393.32
South Africa (44)	339.00	−0.8	315.62	253.07	327.24	351.87	0.2	2.41	341.79	315.48	255.36	326.31	351.04	370.12	301.49	315.38
Spain (33)	244.22	0.5	227.38	182.31	235.75	290.10	1.5	2.29	243.05	224.35	181.59	232.05	285.38	278.05	173.01	175.84
Sweden (49)	496.54	0.6	462.31	370.68	479.33	593.49	0.7	1.74	493.82	455.64	368.79	471.27	589.40	512.39	357.10	357.10
Switzerland (33)	301.84	1.0	281.03	225.33	291.37	285.67	1.8	1.16	298.91	275.91	223.32	285.37	280.58	329.59	231.69	249.72
Thailand (42)	50.96	−0.0	47.45	38.04	49.19	84.43	−0.3	4.79	50.98	47.04	38.07	48.65	84.68	146.69	47.55	139.98
United Kingdom (213)	310.89	−0.1	289.46	232.09	300.11	289.46	0.6	3.44	311.16	287.22	232.47	297.07	287.22	325.28	243.15	243.29
USA (637)	381.34	1.4	355.05	284.68	368.12	381.34	1.4	1.62	376.00	347.06	280.92	358.97	376.00	389.67	264.75	270.98
Americas (820)	348.15	1.3	324.15	259.90	336.08	293.31	1.3	1.62	343.53	317.10	256.66	327.98	289.42	358.35	242.47	247.91
Europe (713)	272.72	0.2	253.92	203.59	263.26	267.07	1.1	2.39	272.14	251.20	203.32	259.81	264.07	284.44	212.81	214.52
Nordic (150)	420.96	0.5	391.94	314.25	406.36	440.47	1.0	1.68	418.73	386.51	312.84	399.77	436.13	437.68	310.33	310.33
Pacific Basin (881)	148.19	1.2	137.97	110.63	143.05	111.76	1.1	1.29	146.49	135.22	109.45	139.88	110.60	163.27	127.16	161.25
Euro-Pacific (1594)	200.17	0.6	186.37	149.44	193.23	170.10	1.1	1.92	198.94	183.63	148.63	189.93	168.25	209.12	173.55	169.32
North America (763)	371.11	1.4	345.52	277.04	358.24	370.51	1.4	1.62	366.00	337.84	273.45	349.43	365.40	379.38	259.56	264.35
Europe Ex. UK (500)	245.89	0.4	228.94	183.56	237.37	248.02	1.3	1.79	244.95	226.10	183.01	233.86	244.75	256.73	191.01	194.01
Pacific Ex. Japan (396)	298.55	2.5	277.97	222.87	288.20	270.38	2.3	2.61	291.17	268.76	217.54	277.98	264.25	320.65	260.77	284.17
World Ex. US (1921)	204.14	0.6	190.07	152.40	197.06	176.88	1.0	1.80	202.97	187.36	151.65	193.78	175.06	212.89	176.94	184.50
World Ex. UK (2245)	255.98	1.1	238.33	191.09	247.10	230.06	1.3	1.58	253.20	233.71	189.17	241.73	227.20	262.68	204.12	208.21
World Ex. Japan (1973)	327.00	1.0	304.46	244.11	315.66	322.75	1.3	1.94	323.67	298.77	241.82	309.02	318.53	334.83	242.70	245.78
The World Index (2458)	260.73	1.0	242.76	194.64	251.69	235.63	1.2	1.77	258.20	238.33	192.91	246.51	232.79	267.21	207.64	211.26

CONSTITUENT CHANGE 21/8/97: Name change: Berjaya Industrial to Rekapacific BHD (Malaysia). Latest prices were unavailable for this edition.